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Stability Seen for Dollar

But Markets Seek U.S. Action on Rates, Budget

By Reginald Dale
International Herald Tribune
PARIS — The storm-tossed dollar could soon enter calmer waters if the U.S. authorities make a determined effort to support it, a number of European and U.S. financial analysts said Friday.

The Bottom Line: Both Sides Were Ready to Deal

By David Hoffman
Washington Post Service
WASHINGTON — Propelled by the imperatives of political self-interest and the burden of the arms race on their nations, President Ronald Reagan and Mikhail S. Gorbachev demonstrated this week that they had found a new way to do business with each other.

Reagan Says SDI Is No Obstacle to More Arms Cuts

By Lou Cannon
Washington Post Service
WASHINGTON — President Ronald Reagan said Friday that his Strategic Defense Initiative had emerged intact from his summit meeting with Mikhail S. Gorbachev despite Soviet objections to the space-based missile defense plan.



Mikhail S. Gorbachev, left, with Erich Honecker on Friday. George P. Shultz, right, watching Sir Geoffrey Howe sign a verification accord on Friday.

Warsaw Pact and NATO Review Summit Results

In Berlin, Cheers for Gorbachev In Brussels, Praise for the Treaty

By Serge Schmemmann
New York Times Service
BERLIN — Mikhail S. Gorbachev, stopping over in East Berlin on his way back to Moscow to brief fellow Communist leaders on his Washington summit meeting, was given a triumphant welcome Friday by the leaders and thousands of East Berliners who cheered him along the motorcade route.

By John M. Goshko
Washington Post Service
BRUSSELS — America's European allies hailed the U.S.-Soviet agreement to eliminate intermediate-range nuclear missiles as "a treaty without precedent in the history of arms control."

Kiosk Iran Says Paris To End Boycott

VIENNA (NYT) — Iranian oil officials said Friday that France and Iran had agreed in principle on an end of the boycott that France imposed on the purchase of Iranian oil in the summer, as part of an accord that allowed the return of two French hostages from Beirut last month.

Jascha Heifetz, 86, Violin's Master Of Technique and Silken Tone, Dies

United Press International
LOS ANGELES — Jascha Heifetz, 86, who at age 16 was recognized as one of the world's foremost violinists and who maintained this status for more than 50 years, died late Thursday at Cedars-Sinai Medical Center.



Jascha Heifetz in Vilna and made his first major public appearance at age 6 with the Mendelssohn Concerto. He was a poor family, and when See HEIFETZ, Page 2

ASEAN Looks Toward Japan 6 Nations Seek Expansion of Trade With Regional Giant

By Michael Richardson
International Herald Tribune
SINGAPORE — When ASEAN opens its first summit meeting in 10 years Monday in Manila, members will be striving to expand the economic and political cooperation that officials say is vital if the group is to retain its international influence.

A Murder in Quebec Highlights the Plight of Blacks

By John F. Burns
New York Times Service
MONTREAL — Anthony Griffin could scarcely have guessed that an argument with a cab driver here last month would end with Mr. Griffin dead in the parking lot of a police station, victim of a police bullet in the forehead. Much less could he have known that this would become a landmark in the troubled history of one of Quebec's forgotten minorities.

The sale of antiquities from the collection of the Comtesse de Béthune's collection stirs the art market. Page 10.

GENERAL NEWS
■ Javier Pérez de Cuellar, the UN secretary-general, said Iran is undermining the Security Council's authority. Page 3.

BUSINESS/FINANCE
■ U.S. wholesale prices were unchanged in November, while retail sales rose. Page 17.

MONDAY
A year ago, investors debated which market would rise the most. These days, they seek to avoid the market most likely to stumble again. Monday in Personal Investing.

Dow close: UP 11.60
The dollar in New York:
DM £ Yen FF
1.6315 1.838 128.35 5.5345

There is any impediment there at all," when asked if research on the missile-defense system might block efforts to reduce longer-range weaponry at the strategic arms reduction talks, known as START.

A Soviet demand that SDI be restricted as a condition for progress on strategic arms "has been eliminated," Mr. Reagan told representatives of U.S. regional news organizations.

Mr. Reagan, in an upbeat mood after his three days of meetings with Mr. Gorbachev, gained praise from a bipartisan group of congressional leaders who gathered in the White House to hear his report on the summit meeting.

When the president entered the cabinet room, the congressmen gave him a standing ovation for the first time since a meeting signifying the achievement of a compromise on Social Security in 1983.

In his own post-summit comments, Mr. Gorbachev continued to assail the SDI program and Mr. Reagan's remark appeared to go beyond what U.S. officials were saying privately.

"He is trying to make an assessment of what the Soviets are up to," one official quoted by Reuters said. "But you have to address that question to the Soviets."

In Brussels, Secretary of State George P. Shultz said Soviet officials had not assured they would sign a strategic reduction treaty without securing limits on SDI. Soviet officials have linked the two issues in the past, "and I don't sense any particular de-linkage," Mr. Shultz said.

In Washington, the speaker of the House of Representatives, Jim Wright of Texas, also took a different view than the president, saying

World leaders seem at a loss to characterize the summit. Page 6.
Ronald Reagan and Mikhail S. Gorbachev praised the achievements of the Washington meeting. Page 6.
The meaning of glasnost is a matter of debate in Moscow. Page 6.

Mr. Wallis said Washington expected the Manila meeting to decide whether to proceed with a wide-ranging joint study on the organization's economic relations with the United States.

Nearly all member countries have trade surpluses with the United States.

Prime Minister Lee Kuan Yew of Singapore said recently that he expected the summit meeting to endorse an extension of preferential trading arrangements and more liberal conditions for ASEAN industrial ventures.

These measures, he added, would demonstrate that we have the political will to cooperate and support each other in our economic development.

Intra-ASEAN trade amounts to only about 17 percent of the group's total trade. Vicente B. Valdepenas Jr., director of the Southeast Asian central banks' research and training center in Kuala Lumpur, said that the intra-ASEAN share of imports and exports had declined since 1983.

Economic ministers of ASEAN countries meeting in Singapore in October agreed that, by 1992, 90 percent of items traded within the group would have preferential access from Japan and undertakings that

It Was a Good Summit

The third Reagan-Gorbachev summit meeting ended in something less than total cheers and hurrahs. That is probably just as well. A valuable missile treaty years in the making was signed as scheduled; although Mikhail Gorbachev reported "some headway" in reducing strategic arms, the work done on regional disputes and on human rights fell short of producing accord. No one who observed the lurches last year at Reykjavik, however, would argue that summits are necessarily the right place for bold negotiating breakthroughs. All over Washington Mr. Gorbachev displayed his wit and energy, but we surmise, not too many people took this display as the last word on the summit. By the end of the three days, it seemed that contacts between the leaders had been extended, issues clarified and impetus given to a search for ways to ease the real differences between the two countries. That is plenty.

It was not so long ago that the Soviet press was portraying Ronald Reagan as a new Hitler. This image yielded to Mr. Gorbachev's decision to seek out the American president as an interlocutor, the better to allow him to tend to his country's sizable domestic cares. On his part, Mr. Reagan added to his instinctive aversion to communism a pragmatic view permitting him to seek common ground on practical political concerns. But whether their relationship now has a special chemistry to it, as some on both sides (on rather flimsy evidence) were at one point suggesting, is less important than that they had the opportunity to come to a clearer view of the other's goals and limits. A clearer view would help them pursue understandings of mutual advantage. It also should show them where further agreements will be hard to come by. Both leaders use words such as "true peace" and "good peace" to describe their aims. But nothing in their shared national experiences suggests that all differences between their countries are artificial, accidental, unnatural, soluble — far from it. The right Soviet-American goal remains to reduce the costs and perils of a difficult adversarial relationship.

This 'Scrap of Paper' Was Worth the Effort

By Thomas Powers

WASHINGTON — It was not just a scrap of paper but something closer to a reprieve that Ronald Reagan and Mikhail Gorbachev signed in Washington, thereby tacking at least 10 minutes onto the expected life span of Western civilization. You would think everybody might raise a glass of Christmas eggnog to that, but when the auditors tore up the balance sheet for the new INF treaty, you can bet they will heavily discount — if they take notice at all — the sigh of relief from those who live inside the target circles.

"Target" is a word that should suggest shooting and violence. No one professionally involved in the business of national defense thinks of "intermediate-range nuclear forces" — missiles with a range of 300 to 3,000 miles (about 500 to 5,000 kilometers) — as actual weapons. All agree they are too dangerous to use. Arms treaties have other purposes — securing Ronald Reagan's place in history, for example, or freeing billions of rubles for Mikhail Gorbachev's economic reforms.

OPINION



The next summit should require a little less climbing.

SALT-2 agreement is not even a legal scrap of paper and yet it imposes immense moral restraint on the military planners of both sides. An ocean of ink has been spilled in the last decade over the wisdom of deploying intermediate-range missiles in Europe. The arguments are all moot. Henceforth, there shall be none — not because they are too expensive or scare the public or destabilize the nuclear balance or threaten greater dangers than the one they are designed to prevent — but because the two sides have solemnly agreed the number shall be zero.

But for all the strength of arms-control agreements, they cannot be said to have made us safe. This suggests a second reason why it is hard to take arms control agreements seriously — the weapons are too terrifying. The nuclear age has been one long episode of psychological denial — a plain refusal to admit the danger posed by nuclear weapons.

The abiding tone of the professional literature is one of reassurance — why it is all right to have weapons too dangerous to use, how they keep us

As If Time Had Lost Its Neutrality

By Flora Lewis

WASHINGTON — The third Reagan-Gorbachev summit conference brought no major breakthrough beyond the treaty banning medium-range missiles. But neither was there a breakdown as at Reykjavik, and hopes have been raised for more far-reaching accords next year. The Russians are in a hurry. They say Mikhail Gorbachev must reach some fundamental decisions in the near future, and they depend very much on what kind of relations Moscow can expect with the United States up to the end of the century.

According to Valentin Falin, who wants to launch a new era with Ronald Reagan, partly because they realize they wait for another president who could take three years or more to reach a point of decision, partly because "Mr. Gorbachev believes that if he can make an agreement with this more conservative president it will prove that his policy is realistic."

Mr. Falin is an important man in Moscow, now the head of the Soviet press agency Novosti. As such it is his job to tell the world what Moscow wants it to hear. He has some interesting things to say when asked why Mr. Gorbachev is in such a hurry.

"Time is no longer neutral," Mr. Falin said in an interview. "It is used now for developing a better reaction, it is lost for positive goals, the possibility can be very negative." He listed several reasons the Soviet leader feels the moment is favorable.

First, there are internal factors which need for calm on the international scene so the Russians can mobilize not only material but managerial resources for perestroika, their "restructuring" program. "We need to see which branches of industry and science we must develop, where to put priorities among civilian, military or dual-purpose efforts. We have to make overall investment decisions."

"In our eyes it is very important to be more or less sure how far we can agree with the U.S. on further development of military technology," he added. "Science is on the brink of far-reaching discoveries, in electronics, biochemistry, physics, chemistry. These deep discoveries could be turned to military use" as previously happened with nuclear physics, "and if we start on that, the genie will be out of the bottle. It will be very hard to go back, so we must be clear on both sides where we will restrain ourselves, what we can expect."

A New Warning on Trade

Bad news on the October trade deficit came right in the middle of the Washington summit conference. Even as President Reagan and Mikhail Gorbachev explored arms control, there it was — stark confirmation that the Soviet Union is not the only superpower with economic problems. America's economy is also out of kilter, and the experts are not sure how to fix it.

Months after the dollar starts to decline. Last time it was two years. Now it is slower. One explanation for the longer lag this time is the effects on American buying habits when the dollar's value was exceptionally high. While the president boasted that the "strong" dollar was a tribute to the country's vigor, American industry and consumers developed strong attachments to foreign products, and continue to buy them despite higher prices. Yet how much of the trade deficit does this really explain?

This Is Not Appeasement?

France has packed 14 Iranians and three Turks onto an airplane bound for Gabon in West Africa. An additional eight Iranians and a Turk are under house arrest. All were accused of harming French interests by plotting against the Khomenei regime. Oh no, says Paris, this is not appeasement and has nothing to do with other efforts to placate Iran and gain the release of two French hostages held in Lebanon. Who could possibly think otherwise?

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Other Comment

Keeping the Trenches Quiet [Mikhail] Gorbachev wants the trenches to stay quiet for the next few years, while he goes about his reorganization job behind the lines. He is doubtless sincere in saying that no future skirmish should be allowed to go nuclear. That is only a limited comfort. Pluralism and Leninism will stare grimly at each other so long as they both exist.

Should we be disappointed by the outcome of the summit? Except for the now historic "Treaty of Washington" on intermediate-range missiles, it is clear from the comments of Messrs. Reagan and Gorbachev that nothing new was achieved. But the most successful summits have rarely been marked by anything but solemn signing ceremonies.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCIS SULZBERGER Co-Chairmen

WASHINGTON — Mikhail Gorbachev had the sort of audience one politician defined as ideal: intelligent, well-educated and slightly drunk. Drunk, that is, on détente.

This December is springtime for détente, the catalyst of which is arms control. Consider this paradox: If the Soviet Union has suddenly abandoned its aspiration for world hegemony — if the regime has discarded the Leninist basis of its legitimacy — arms control is not urgent. If the aspiration persists, the Soviets seek arms agreements as its instrument.

President Reagan says that although Soviet leaders have repeatedly seen "the future in a one-world communist state," Mikhail Gorbachev "has never made that claim, but is willing to say that he's prepared to live with other philosophies in other countries." "Prepared?" Of course he will live with pluralisms that are — so far — beyond his power.

Time for ASEAN to Go Beyond Chilies and Snowplows

By Paul Chan

KUALA LUMPUR — There is a sense of poignancy in having the third summit meeting of the ASEAN countries in Manila. ASEAN is reshaping its future while the host nation is trying to find one. The six-member group is seeking stronger regional bonds while the Philippines remains a house divided.

question for the heads of state is whether they should be allowed to continue operating. There is disunity on this. Indonesia and Malaysia say no, while the Philippines, Singapore and the others favor leaving them in place. Throughout Southeast Asia, most people are convinced that Washington should not pull out the region is too rich economically, and too strategically vital.

to ASEAN is adrift, directionless. Amid great changes in the Pacific region, U.S. leadership has underperformed. Washington has lost much credibility in the region over its handling of global economic issues in recent months. Its lack of vision and the absence of a commitment to the group will be viewed as another of its political and foreign policy failures.

Its various schemes for industrial cooperation have produced little but cynicism so far. move in new directions is urgent. Recent efforts for peace in Indochina, especially the talks early this month in France between Prince Sihanouk and Prime Minister Hun Sen of Cambodia, mean that ASEAN cannot maintain its focus on security issues.

ASEAN is adrift, directionless. Amid great changes in the Pacific region, U.S. leadership has underperformed. Washington has lost much credibility in the region over its handling of global economic issues in recent months. Its lack of vision and the absence of a commitment to the group will be viewed as another of its political and foreign policy failures.

ASEAN was an expedient created to ease regional tension. But eight years later, when the United States left Vietnam after the fall of Saigon, ASEAN suddenly felt exposed, and urgently required new initiatives. In 1976 the first ASEAN summit meeting was convened, hastily, in Bali. The resulting document was meant to give credibility and content to the group. But the quickly assembled packages covering trade and industrialization projects have yet to make an impact on the ASEAN economies.

100, 75 AND 50 YEARS AGO 1887: Unrest in Moscow MOSCOW — The disaffection among the students at the University has spread to the Petrofsky Agricultural Academy. Both meetings are surrounded by troops. The people of Moscow are much concerned at the unfortunate state of affairs, and it is feared in some quarters that serious consequences may ensue. In consequence of the disturbances, the rector has caused official placards to be posted up announcing that the University is closed until further notice.

100, 75 AND 50 YEARS AGO

1887: Unrest in Moscow MOSCOW — The disaffection among the students at the University has spread to the Petrofsky Agricultural Academy. Both meetings are surrounded by troops. The people of Moscow are much concerned at the unfortunate state of affairs, and it is feared in some quarters that serious consequences may ensue. In consequence of the disturbances, the rector has caused official placards to be posted up announcing that the University is closed until further notice.

1912: Million-Shares Days

NEW YORK — This was the third million-share day. Such an outburst of activity usually marks the culmination of a movement, whether for a rise or for a fall. The transactions today [Dec. 11] in fact ran above 1,300,000 shares, and the market was peculiar, inasmuch as three issues — Steels, Unions and Readings — furnished much more than half of all

Don't Be Fooled... Pretoria Limited... Advertisement for Pretoria Limited, featuring a large illustration of a person's face and various text elements.

THE WASHINGTON SUMMIT: With Missile Pact Behind Them, Leaders Take Stock of Old Problems

Reagan and Gorbachev Hail Their Achievement

By Steven V. Roberts
WASHINGTON — President Ronald Reagan says that his three-day summit meeting with Mikhail S. Gorbachev placed Soviet-American relations "on a far more candid and far more realistic footing."

"Indeed, this treaty — and all that we have achieved during this summit — signals a broader understanding between the United States and the Soviet Union," the president said.

In a broadcast address from the White House on Thursday, the president said the treaty banning intermediate-range nuclear forces was possibly the most important step since World War II to slow the arms buildup.

After two previous meetings with Mr. Reagan that ended with little progress, putting Mr. Gorbachev on the defensive at home, he had pledged he would not attend any further summit meetings unless real advances could be achieved, particularly in arms control.

"I made it clear that our SDI program will continue and that when we have a defense ready to deploy, we will do so," the president said.

The news conference appeared to be the opening salvo in what promises to be a concerted effort by Mr. Gorbachev and the Kremlin to justify the outcome of his visit against the standard.

Mr. Gorbachev, meanwhile, depicted the summit talks as precisely the kind of success he had promised his first visit to the United States would produce.

Calling the meeting "a major event in world politics," Mr. Gorbachev said at a one-hour, 50-minute news conference shortly before his departure that the three days of talks had advanced Soviet-American relations across a broad spectrum of issues.

Almost three quarters of the news conference was given over to a statement extolling the talks.

The tone and substance of the news conference were markedly different from Mr. Gorbachev's appearance before reporters at the summit meeting in Iceland last year. He used the press briefing to castigate Mr. Reagan for blocking arms control agreements.

"No matter what you shout at us, we shall not let them go before their knowledge of these secrets has evaporated," he said.

He berated journalists for not actively encouraging improved international relations, using the kind of language he usually employs in lecturing Soviet reporters.

"I'm just trying to say that the media has to go in for some perestroika, too," Mr. Gorbachev said, using the Russian word for restructuring.

Looking out to the audience of reporters, he said, "Do you agree with me?"

After a momentary silent pause, he said, "Everything's clear?"

"Then I envy you," he added.

Europeans Sorting Out What It All Means

By Joseph Fitchett
PARIS — The day after the Washington summit meeting, world leaders extolled the superpowers' missile treaty and the prospect that the United States and the Soviet Union would take a more constructive, pragmatic approach to their relations.

Even Mrs. Thatcher, describing the Soviet leader, used such words as "tremendous" and called him a man of "vision" and of "courage and boldness."

But Mr. Reagan was credited by most commentators, including some in France, the only European country that has been lukewarm about the treaty, with demonstrating that he could do political business.

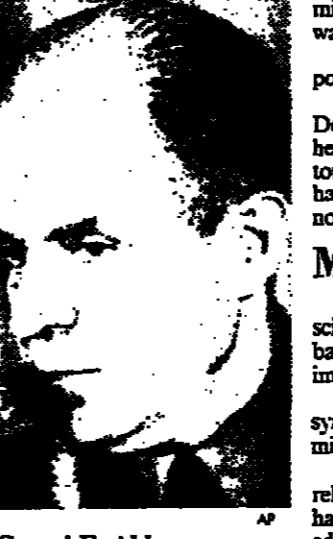
World leaders, notably praising the INF treaty, were partly motivated by a concern to see the treaty rapidly ratified.

Soviet Marshal Agrees to Consider Military Contacts With the Pentagon

By Gary Lee and Molly Moore
WASHINGTON — Marshal Sergei F. Akhromeyev, a Soviet negotiator credited with breaking deadlocks at the Geneva nuclear arms talks, has agreed to consider U.S.-Soviet military exchanges.

Colonel General Nikolai Chervov, who played in Moscow's negotiations with the United States.

According to Maynard W. Glitman, the U.S. negotiator, a suggestion by General Chervov last June cleared the way to the agreement eliminating all U.S. and Soviet shorter- and medium-range missiles that President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, signed Tuesday.



Sergei F. Akhromeyev

The Definition of Glasnost: It Depends

By Bill Keller
MOSCOW — "Glasnost" has entered the international vocabulary as a catchword for a general liberalization of Soviet society. But in the Soviet Union itself, glasnost is a term whose meaning and practice are matters of intense debate.

Others, including officials who have found themselves hounded by a more ambitious press, believe practitioners of glasnost should be more tightly harnessed to the cause of Communism and should be governed by respect for authority.

Others, including officials who have found themselves hounded by a more ambitious press, believe practitioners of glasnost should be more tightly harnessed to the cause of Communism and should be governed by respect for authority.

SUMMIT BRIEFS

Gorbachev Asks Closer Economic Ties

WASHINGTON (WP) — Mikhail S. Gorbachev appealed Thursday to a group of top U.S. business leaders to help thaw economic relations between the two superpowers.

U.S.-Soviet Space Accord Is Signed

MOSCOW (UPI) — The United States and the Soviet Union signed an agreement on Friday for the exchange of scientific data obtained from unmanned missions to Mars and Venus in a move a NASA official described as "a good first step" toward better cooperation in space.

Navy's Trident-2 Is Tested in Florida

CAPE CANAVERAL, Florida (AP) — A Trident-2 intercontinental missile, delayed a month by a dispute over the number of unarmed warheads it would carry, roared off a land launching pad Friday.

Magazine to Slow 'Doomsday Clock'

CHICAGO (AP) — The hands of the "doomsday clock," created by a science magazine to dramatize the threat of nuclear war, will be moved back because of the U.S.-Soviet arms control treaty and "the great improvement in the Soviet-U.S. relationship overall," editors said.

U.S.-Soviet War of Words May End

WASHINGTON (Reuters) — A truce in the long and bitter war of words between the United States and the Soviet Union may emerge from the summit talks, the director of the U.S. Information Agency said.

For the Record

President Ronald Reagan has proclaimed Tuesday as Human Rights Day and the start of Human Rights Week. Shortly after the end of the summit meeting, he said Thursday that "magically, governments in many lands" deny that the rights of the individual are "God-given."

INF Offspring: Ronald, Mikhail

United Press International
MOSCOW — A Moscow woman who gave birth to twins as Ronald Reagan and Mikhail S. Gorbachev signed their arms reduction treaty on Tuesday decided to name her boys Mikhail and Ronald, according to the youth daily Komsomolskaya Pravda.

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ARTS / LEISURE

Surprisingly Strong Antiquities Sale

MONTE CARLO — The auction of antiquities from the collection of the Comtesse Marthe de Béthune...

SOUREN MELIKIAN

leaving a mere 1 percent unsold, would be remarkable under any circumstances. This is the highest total ever achieved in any sale of objects d'art from the Ancient World...

The first 15 minutes were deadly. Simon de Pury, Sotheby's director for Europe, was conducting the sale. His manner, elegant but restrained, added one more touch to the funeral atmosphere...

feel more hopeful as a Hittite gold ring of the 18th century B.C. tripled its high estimate at 57,720 francs...

Then, as a mounted intaglio of the second century came up, the room thawed. The ring nearly tripled the high estimate at 33,300 francs...

The occasion was a fifth-century gold cloisonné brooch in the form of a stylized eagle, typical of Germanic art...

Between the two world wars, a German scholar going through the collections of the San Marino museum caught sight of a label dated 3.3.1920 on a gold mount in fifth-century Germanic style...



Head of an Egyptian ivory figure, 1567 B.C.



Ostrogothic gold and garnet brooch, fifth century.

and in came "the Domagnano Treasure" of Ostrogothic jewelry. Whatever the truth may be concerning the treasure, the Comtesse de Béthune brooch is beyond doubt one of a pair...

Immediately afterward, a small ivory nude figure of an Egyptian woman of the 16th century B.C. again surprised the attendance...

One huge price after another was paid for the Egyptian pieces that followed. Excitement rose to such a pitch that at one point I saw Robin Symes and his partner Christo Michaelides bidding against each other...

One hopes their wish shall be granted, if only to show how much better preserved the Nuremberg piece is. The gold wire on the Béthune-Sotheby's piece shows nasty signs of distortion...

This made a gilt bronze openwork brooch of the sixth century look like a giveaway at 55,530 francs. For some reason the polylolobed roundel with four stylized animal heads separated by the arms of a cross...

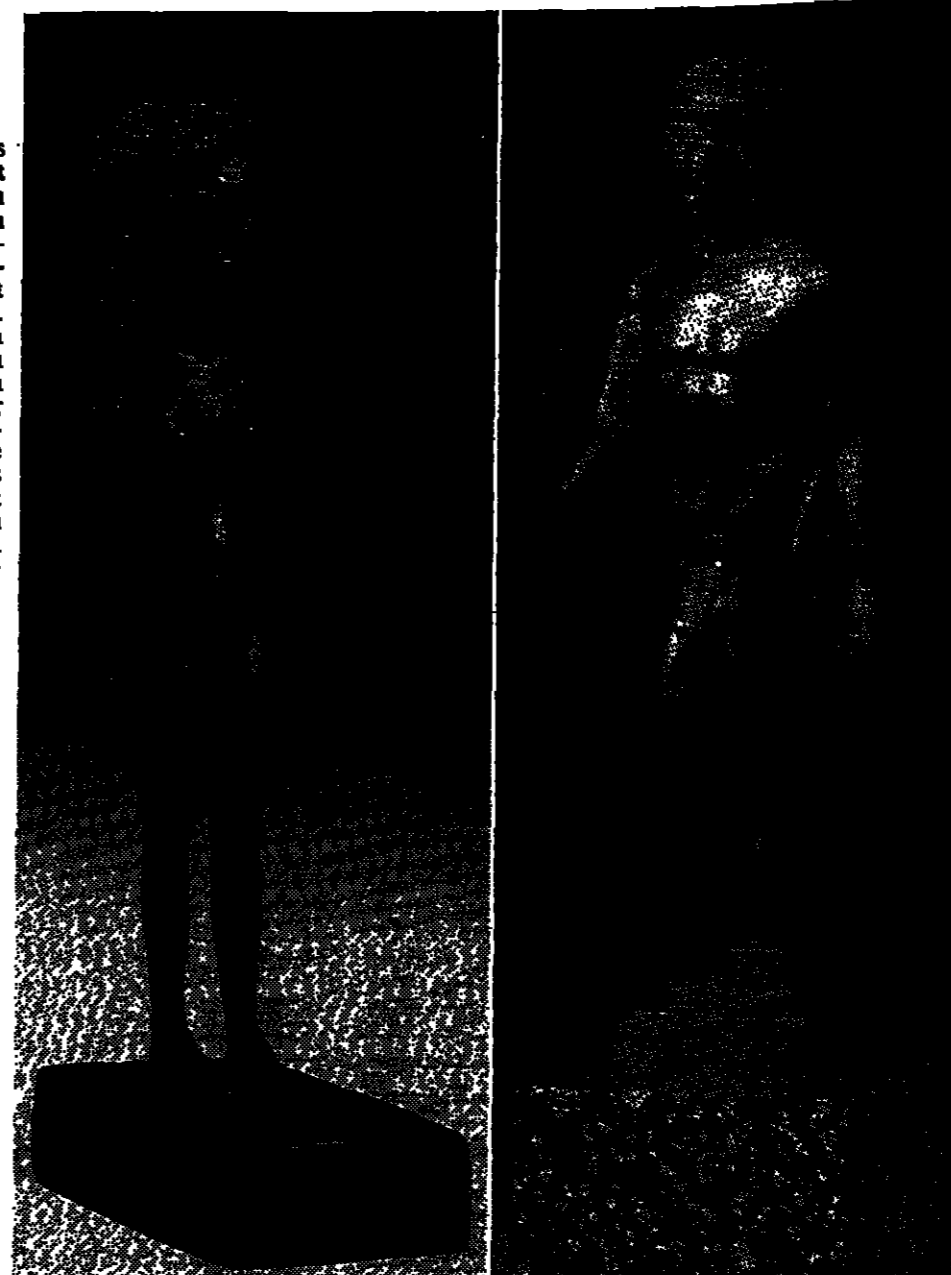
As rarities of slightly larger size and earlier times came up, prices climbed a few notches higher. A rock crystal "voive-jar" with a long inscription dedicating it to the god Amun in favor of the king of Larsa...

The sale of medieval objects from the Béthune collection in the evening session followed a very different pattern, many prices being as low as the low estimate...

A collective hysteria seemed to have seized the room, affecting the outcome of almost every piece that afternoon — even a fragment from an Attic vessel with painted figures done around 470 B.C., which went up to 288,600 francs...

The ecstatic smile on the face of Felicity Nicholson, director of Sotheby's Antiquities department in London, said volumes about the apprehensions that she and her colleagues had experienced.

The sale of medieval objects from the Béthune collection in the evening session followed a very different pattern, many prices being as low as the low estimate...



Egyptian wood figure of a young woman circa 1350 B.C. from Kom Medinet Gharaib (left); Greek bronze figure of Apollo, from Lousoi, fifth century B.C.

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SAUDI ARABIA

SHAPING UP FOR THE FUTURE

The Economy: A Year of Careful Planning Pays Off

THE Saudi government is due to announce its 1988 budget within the next few days. The new financial year starts on December 23.

The rumors in Jeddah and Riyadh are that the budget will not be much different from last year's surprisingly high figure of \$45 billion. That should not be so remarkable. Despite the kingdom's tighter economic circumstances, with talk of "increased efficiency," "rationalization of manpower" and "cuts in unnecessary expenditure" making regular appearances in the local press, 1987 has been a far easier year financially for the Saudis than 1986.

That is because the price of oil has remained stable at \$18 a barrel (which means that Saudi gets \$17.52 a barrel), compared to the wild fluctuations of 1986 when at one point it reached a low of \$8. Stability of prices, and with it revenue, is crucial to Saudi planning. Despite a healthy growth of petrochemical sales, oil revenue will continue to account for the largest single input to the budget for some time to come, probably around the 35 percent mark.

That oil prices have remained stable is largely due to Saudi Arabia's own effort. Although the Organization of Petroleum Exporting Countries (OPEC) agreed last December to force the price back up to the \$18 benchmark and set a production limit of 15.8 million barrels a day, it soon became clear that certain members were not abiding by the rules. There was discounting and overproduction. It was thanks mainly to Saudi Arabia slashing production during the spring from its quota of 4.133 million barrels a day to around 3 million barrels that the glut was cut and the price stabilized.

But although stability in revenue is the government's key objective, the fact remains that the Saudi economy is still highly susceptible to the vagaries of the international market. It is not just because of the importance of oil exports; foreign investments, the linkage of the rial to the dollar and the country's continued massive reliance on foreign imports have placed Saudi Arabia in an unenviable position economically.

The continued rise in the yen and the Deutsche mark (the currencies of two of the kingdom's main sources of imports), the slide in the dollar — and with it not just the pegged rial but also, more important, the value of a barrel of oil — and the recent stock market crash ought to have done little for the Saudi government's sense of economic confidence.

Investment Revenue

Equally, investment revenue is no less crucial to budgetary planning than oil revenue. Last year it accounted for 18 percent of budget revenue. It is still too early to say how much Saudi investment income will be affected by the stock market crash. But like everyone else, the Saudis cannot expect to be immune.

Yet ask a Saudi how the economy is doing and he will invariably answer, "Not bad" or (in this case with justification) "It's a lot better than last year." The view that the recession has bottomed out and that things are getting better is one that is widely held. Partly it is due to the flow of statistics backing up what is fairly evident to everyone in the kingdom, notably that the living standards of the average Saudi, of which there are now 12 million, is getting better all the time. According to the latest government

survey published just 10 weeks ago, Saudi living standards are now on a par with those of developed countries.

Nonetheless, the degree of equanimity with which most Saudis seem to regard the stock market crash and the decline of the dollar/rial/barrel of oil understandably puzzles most observers.

The situation ought to be worrisome. That it is not is due to deft economic footwork together with a dose of lateral thinking. In the view of some Saudi economists, a drop in the value of the rial, though admittedly causing a rise in the import cost, is no bad thing; it should make Saudi petrochemical exports cheaper, particularly in Europe, and act as a stimulus to Saudi industry as well as provide an effective and protective barrier for existing Saudi products such as cement, which local producers claim is being adversely affected by dumping by Japanese and Spanish producers.

New Trading Partners

In fact, there has not been all that much of a problem on imports either. The Saudi response to the movements in currency values has been to switch trading partners. It is not the Saudis who are suffering so much as the Japanese and the West Germans, whose sales to the kingdom have taken a tumble. After the United States, which has long been the number one exporter to Saudi Arabia, Japan used to be second, followed by West Germany. By the end of last year the West Germans had been overtaken by the British, who are experiencing something of a relative boom in the Saudi market.

Last year Britain was the only major industrial exporting nation to register a major increased presence in the Saudi market. While everyone else's sales dropped an average 25 percent (the Japanese went down 50 percent), British imports to the kingdom registered a 20 percent rise. Nor has it shown any signs of slowing up. The British balance of trade surplus with Saudi, the largest of any country with the kingdom, continues to grow. At the end of September, it was already almost \$500 million higher than the 1986 total of \$1.6 billion.

The British are now breathing heavily down the Japanese's necks; when this year's trade figures come out, there is every possibility that the British will have even edged them aside. The deals continue to flow in. On November 20, British Telecom won a \$42 million contract to install a new telex network for the kingdom. Two or three years ago, that sort of contract would have been expected to go to the West Germans or the Japanese. On the other hand, Japan is not a total loser. Sales may have gone down but so too has the cost of buying Saudi oil, of which Japan is the largest customer, taking almost 25 percent.

The reason for the high level of British sales is twofold. First, Britain does not suffer from the unfortunate effects of a strong currency. Secondly, there is the Tornado fighter plane deal, estimated at anything from \$7.5 billion upwards. Much of the 1986 and 1987 growth in British sales to Saudi Arabia related to the deal. Britain's Department of Trade reckons that, without that deal, exports to the kingdom would be about 2 percent down. Compared to Japan (50 percent down on share), West Germany (25 percent down) or even the United States (23 percent down), England does not have too much to worry about. As far as U.S. exports to the kingdom are concerned, the



Petrokem's new butene-1 plant began operations this fall in Al-Jubail.

joint slide in the dollar and rial ought to act as a stimulus. However, given the tighter economic climate, the Saudis are in no mood to start splashing out buying American just because everyone's marketplace has become much more expensive. The parallel drop in real terms in the value of a barrel of oil, and therefore in Saudi Arabia's purchasing capacity, will certainly ensure that the Saudis continue to be ultra-cautious when it comes to spending.

No Cuts in Development Program

Nonetheless, King Fahd and his government have made it clear that there will be no cutting in Saudi Arabia's development program, particularly its industrial program. Given that determination, especially in the area of high-tech industries, U.S. groups such as the aviation equipment team that visited Saudi Arabia in November can expect to get a good hearing. In the meantime, however, eyes are still firmly fixed on the two offset deals, with Boeing and with the U.K. government, and what benefits they will bring.

The idea was an ingenious means of persuading successful bidders on major government contracts to reinvest a portion of the value of the deal back in joint ventures in Saudi Arabia, with Saudi investors putting up an equivalent amount. The figure set in both the Peace Shield airborne warning system awarded to a Boeing-led consortium and the Tornado contract deal was 35 percent of the technical content. The result is that some \$2.4 billion is due to be invested in new ventures within the Kingdom.

It is a mammoth sum. Unfortunately though, progress toward implementation has been at a mammoth's pace — at least in the case of the Boeing offset projects. Almost four years after the awarding of the original contract there is still no sign of an offset venture (11 were originally earmarked) in action. That is not necessarily Boeing's fault: setting up high-tech industries in a country still in the early stages of development is no easy task and neither they nor the Saudis want to make expensive mistakes.

And to be fair, it is quite probable that one, if not two, of the proposed offset ventures will get the final go-ahead within the next few weeks, those being the \$35 million Accessories & Components Company and the \$230 million Advanced Electronics Center. Both will be based at Riyadh's King Khaled International Airport.

The British may not be all that far behind in making an

announcement of their own. They have learned from Boeing's problems. Moreover, unlike Boeing, they are not restricted to high-tech ventures. The sole criterion is whether the venture chosen benefits Saudi Arabia; so it could be to do with training, technology transfer, expansion of an existing project or even an agricultural project. To make it even easier, investment can be retrospective; it is quite possible, for example, that British Telecom's telex contract could be drawn into the project. However, the most immediate priority as far as the Saudi government is concerned is the price of oil.

Toward Stabilizing the Oil Quota

The government is walking a tightrope on the oil issue, trying to balance price stability with volume stability. It would like both. However, it started dropping loud hints long before the annual OPEC conference that it was not prepared to carry on paying to keep the market stable on its own any more. There was considerable concern in Riyadh that, having forced order back into the market this spring by cutting its own production by over a quarter, some OPEC members continued discounting and overproducing, thereby enabling buyers to replenish stocks and so regain the advantage. The conclusion was that they should not again allow production to drop to keep demand strong as happened in spring. Stability of quotas would henceforth be the objective.

As to whether the price of a barrel of oil should remain quoted in dollars, or as some in OPEC suggested more than once, be quoted in a basket of currencies, there is a mixed attitude in Saudi Arabia. Certainly it would be in Saudi Arabia's interest to move away from a dollar pricing. As a rule of thumb, it is estimated that for every percentage point the dollar falls, Saudi oil revenue drops half a percentage point. But the problem with a mixed basket of currencies is that it would be extremely complicated.

There are others in OPEC who suggest a much more logical, and potentially lucrative, quotation — in yen. However, it is doubtful whether it could be made to work, even though in Saudi Arabia's case, much of the oil goes to Japan. For the rest of the world, it would mean increasing prices, which some producer would be bound to discount. The consequence would probably be a price war.

— Michael Dalmoak

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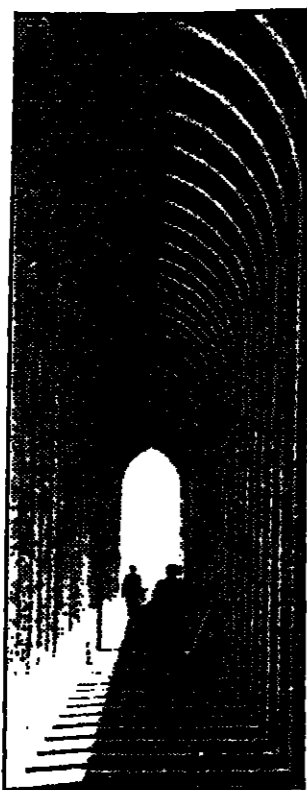
PETROMIN, the General Organization for Petroleum and Minerals, may change when Saudi Arabia's oil industry is reorganized, but the company will still be recognizable.

Industry sources say that Petromin and the Arabian American Oil Company (ARAMCO) will still retain their general roles even after a reorganization is completed. At present, Petromin is generally charged with domestic refining and sales, plus state-to-state liquefied petroleum gas (LPG) and crude sales. Aramco has handled production and other sales.

Petromin's wide range of activities reflects its history of introducing industrialization and technological advance. The kingdom's first industry to use associated natural gas as feedstock was at first part of Petromin. This was the Saudi Arabian Fertilizer Company (SAFCO), which produces urea fertilizer and melamine plastic. It has since been transferred to the Saudi Basic Industries Corp. (SABIC).

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Other than SAFCO, and the more recent gold and other mineral extraction projects, Petromin's activi-



University of Petroleum and Minerals in Dhahran.

ties have been linked with oil.

Petromin took up the challenge of the paradox whereby Saudi Arabia at one time had to import refined products even though it was the world's largest exporter of crude oil.

Petromin built a series of refineries to supply gasoline, asphalt, kerosene, and other refined products and has often established part-

nerships with foreign firms to achieve its goals. Its two export refineries were built as joint ventures. Shell and Petromin built the Jubail export refinery. Mobil and Petromin built a joint venture refinery in Yanbu.

A third export refinery, being built as a joint venture with Petrola, of Greece, is being erected in Rabigh. In addition to the export refineries, Petromin operates domestic refineries in Yanbu, Jeddah, and Riyadh. Aramco operates a refinery at Ras Tanura.

In 1986, Petromin reported that the domestic Jeddah Oil Refinery produced 31,941,608 barrels, a drop of 5.9 percent from 33,931,608 bbls, in 1985. The refinery capacity is 96,000 barrels per day (bpd).

The 160,000-bpd Petromin Refinery in Riyadh produced 40,550,501 barrels a year, a 2.3 percent drop from the previous year.

Riyadh refinery produced 1,453,348 barrels a year of liquid petroleum gas, 4,308,571 barrels of regular gasoline and 9,566,975 barrels of premium gasoline. Aviation fuel production was 3,978,166, diesel production was 16,216,474 barrels, while asphalt production was 5,026,967 barrels.

The 170,000-bpd Petromin Yanbu Domestic Refinery, the newest Petromin domestic refinery, produced 63,863,803 barrels.

Joint Ventures

Petromin's 50-50 joint venture Shell refinery in Jubail began production in 1985.

The 250,000-bpd Petromin-Mobil 50-50 joint venture refinery in Yanbu produced 72,349,494 barrels in 1986, up from 64,920,000 barrels in 1985.

Petromin also expects its 325,000 Petrola-Petromin refinery in Rabigh to be on-line in 1988, and has sought a foreign partner in the lubricants business. Mobil, of the United States, joined Petromin in building and operating Lubref I, which has a capacity of 1.6 million barrels a year. Its owner is Petromin Lubricating Oil Refining Co., a 70/30 joint venture.

This follows Petromin's practice of establishing separate divisions to handle new businesses.

Lubref I has proven immensely successful. It has actually exported lubricants abroad, and produces base oils used by the Kingdom's blending plants to produce finished lubricants.

Additional base oil plants were planned to produce greater amounts of lubricating base oils for ex-

ports, but declining oil prices and budgetary considerations forced modifications of these plans. Petromin planned to build a 1.75 million barrels a year joint venture plant with Ashland Oil in Yanbu, and a mammoth 4.2 million barrels a year plant with Caltex in Jubail.

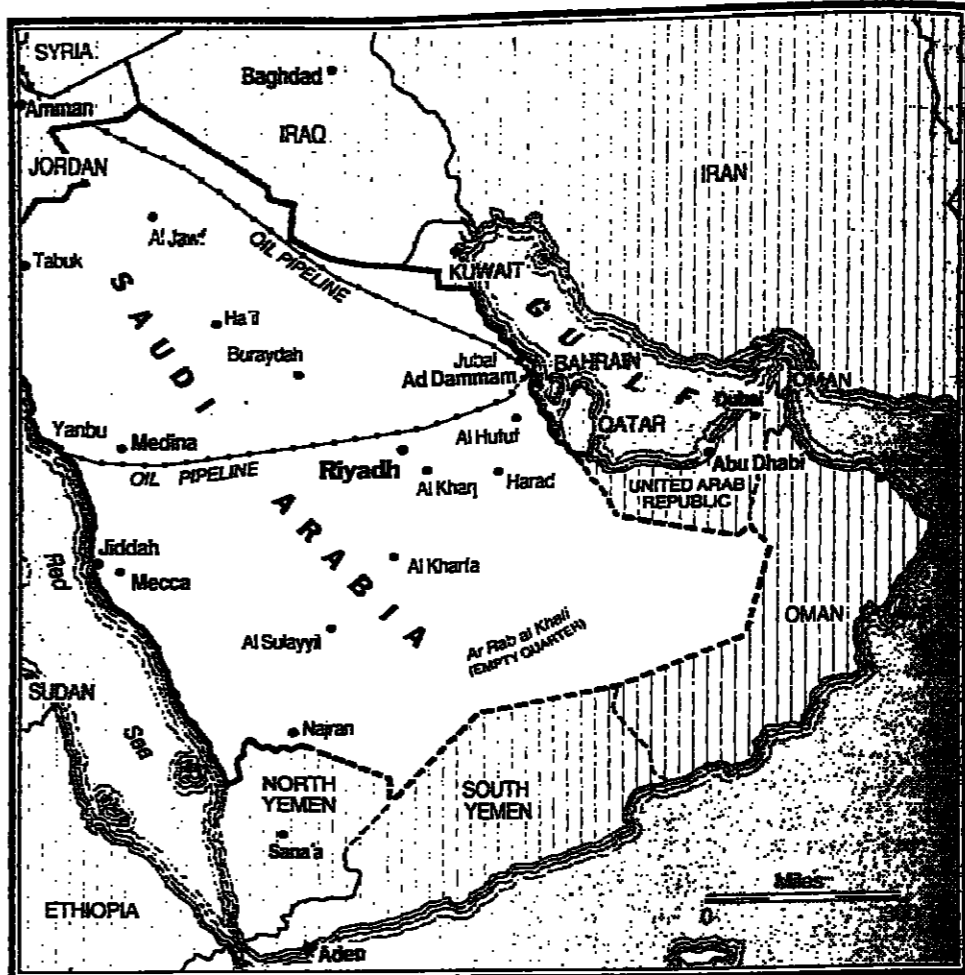
With the passage of time, Ashland dropped out of the Yanbu plant, and Petromin turned to its old partner, Mobil, to build Lubref II. The wildly optimistic Jubail Caltex-Petromin project was dropped in favor of a base oil unit that would be added to the Petromin-Shell export refinery in Jubail. This refinery would have a capacity of up to 1.5 million barrels a year.

Lubref II

The long-delayed Lubref II lubricant refinery appears to be coming back to life, say Saudi oil and banking sources.

The refinery, originally approved in March 1985, is designed to produce 1.5 million barrels a year of lubricating base stock. Within months of awarding contracts, the fall in oil prices led Petromin to delay the project.

Lubref supplies both Petromin and privately held blending plants in the kingdom. Two large blending plants are operated by Petrolube, a 71/29 joint



venture between Petromin and Mobil. These plants produce Mobil and Petromin-brand lubricants as well as other brands. Shell now produces finished lubricants from two privately owned Saudi-Shell joint venture blending plants.

In addition, Petromin has built a wholly owned blending and grease-production plant in Jubail, called the Al-Jubail Lubricating Oil and Grease Manufacturing Plant (Saudi Lube); another Petrolube plant, Petrolube-3, will be built in Yanbu.

Non-Oil Activities

Petromin lubricants hold the dominant spot in Saudi Arabia, although Shell and Mobil are close followers. Further, Petromin lubes have won a place in regional markets. Last year, 20,000 barrels of Petromin lubricants were exported mainly to the Gulf,

but also to Yemen, Sudan, Lebanon, Guatemala and Belgium.

Petromin's activities are not limited to oil. The company supplies gasoline, jet fuel and other refined products throughout the Kingdom. Recently, the company was helped by a boost of gasoline prices. But even after the rise, premium gasoline costs only 14.4 US cents a liter. The Ministry of Petroleum explained that a higher price would reduce wasteful use of gasoline and help the profitability of Petromin. In any event, the kingdom has agreed to slowly bring gasoline and other product prices in line with those of the other Gulf countries. Saudi gasoline prices have long been the lowest.

Petromin has also developed a foreign presence. It is one of the world's foremost sources for LPG. One

of its biggest customers is Japan. In 1986, Japan imported more LPG from Petromin in Saudi Arabia than from any other source. Total imports were 5.9 million tons, compared to the second-largest supplier, Abu Dhabi, which supplied 2.2 million tons.

Petromin is not confined to hydrocarbons. It has taken bids on opening up a second gold mine. The first, Mahd Ad-Dahab, is believed to be the site of the legendary mines of King Solomon. Today, gold is being commercially extracted from the mine.

The kingdom is believed to have commercial amounts of phosphates, iron, and other minerals. Petromin has even discovered some coal deposits, which could bring Petromin an entirely new line in the hydrocarbon business.

— Doug Graham

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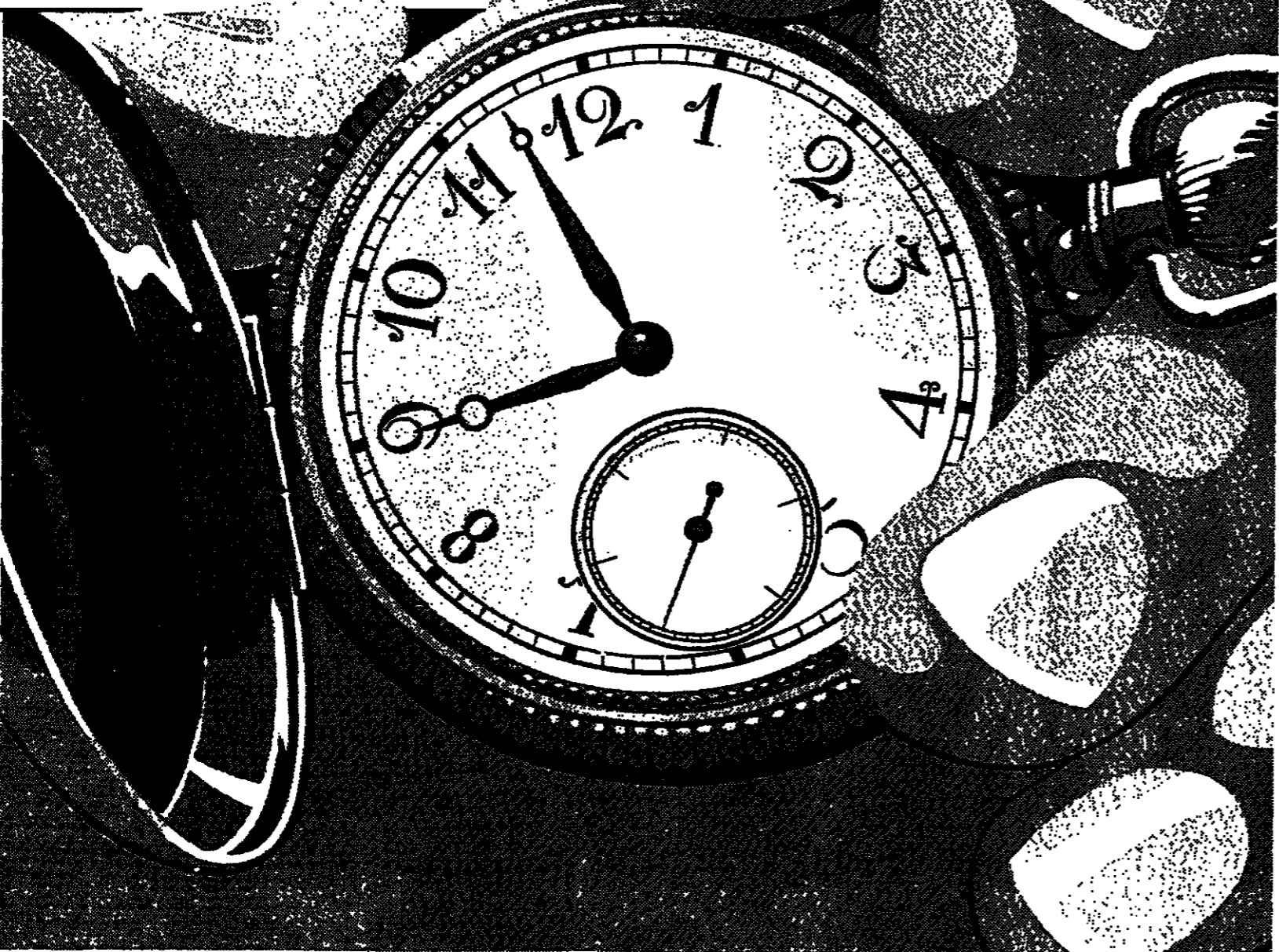
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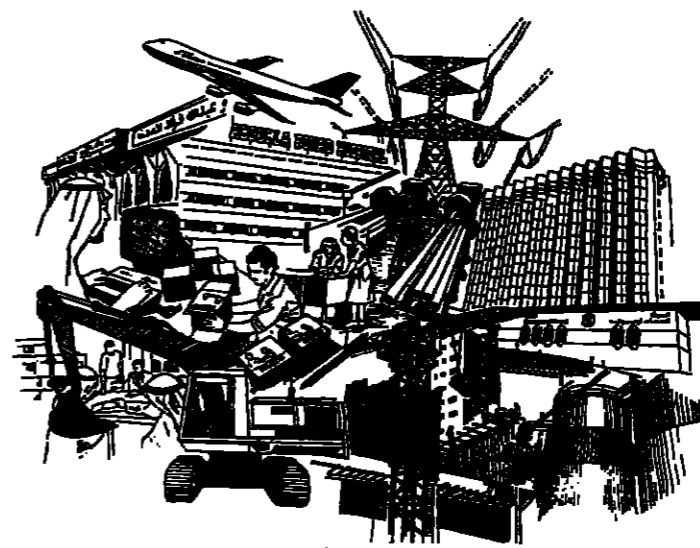
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هكذمن العنول

A New Perspective on the Private Sector.

THERE would seem to be something of a contradiction in the Saudi economy. There is probably no government on earth more committed to the role of the private sector — not even Margaret Thatcher's Britain nor Ronald Reagan's America. For its part, the Saudi private sector is probably the wealthiest and certainly the most fluid in the world.

Yet government spending accounts for almost 65 per cent of gross domestic product (GDP). That is more than most welfare states in the world. True, the private sector contribution to GDP would have been much larger — probably nearer 45 per cent — were it not for the decline in the construction sector, partly caused by the fact that much of the infrastructure has already been completed. The decline, however, had the unfortunate effect of inducing a decline in the transport and trade sectors. There was significant growth in the agricultural sector and in traded public utilities. Nonetheless, in a country that is ideologically committed to the private sector, the state remains the major operator.

Setting the Pace
Given the massive scale of Saudi development and the remarkably short time period involved — just 30 years — it was only natural that the government should take the lead, creating the infrastructure and laying the ground for large-scale capital-intensive industries such as the petrochemical ventures at Jubail and Yanbu. The private sector concentrated instead on commerce, agriculture and construction.

Not that it ignored industry. Far from it. By the end of the last financial

year, some 1,864 locally owned private industries with a capital of \$16 billion were licensed and running, producing goods such as concrete, glass reinforced plastics, piping, cable and wire. There are licenses for another 1,545 industries. A further 400 industries, primarily petrochemical, metal and foodstuffs, were established as joint ventures with foreign companies with a total capital investment of \$3 billion.

The government provided strong support, encouraging the private sector to assume its proper role in industry and pointing it in the right direction. Of the \$3 billion provided in interest-free loans to the private sector last year (the total so far is \$44 billion), a large proportion went to industrial ventures.

In addition, though, the private sector was quick to follow where the government led, snapping up equity in the public utilities and corporations like SABIC, the parent company for most of the kingdom's petrochemical projects, when they were floated on the market.

The Future
Nonetheless, the main thrust of private sector activity was not toward industry. Now, however, the race is on to alter that situation dramatically, when the government talks about "the private sector," it is effectively talking now about its role as a motor for industrial growth.

Government intention is that industry's contribution to GDP, currently 10 per cent, should rise to 15 per cent within the next four to five years, thereby generating about \$1,000 of manufacturing value per Saudi citizen (compared to current levels of \$660 in the

kingdom, \$550 in South Korea and \$2,000 in Spain).

The private sector's reaction has been very cautious. While looking for optimum investment opportunities, there is a problem. "Were do I invest?" is a question business entrepreneurs are constantly asking. "Where are the projects?"

Certainly, when floatations of existing ventures take place there is no lack of interest — as the recent share floatation of Saudi Cable Company shows; it was almost 40 percent oversubscribed. This has given rise to fears that the private sector, having been led by the hand by the government for so long, is reluctant to let go. "It seems to have developed a taste for letting the government do the hard work, and then moving in afterwards," notes one Riyadh-based banker.

Private Initiative
That may be an unfair assessment. While there have been recent calls from the business community for further government priming of industry, there is also ample evidence of the private sector making efforts of its own to pinpoint and then create ventures in which to invest.

The Saudi Venture Capital Group, drawing together some of the largest Saudi private operators, the Saudi Advanced Industries Company and the National Industrialisation Company, are such examples. Since it started 27 months ago, the latter has, in addition to investing in some seven existing projects, investigated 70 potential projects; of these four are now being set up, and feasibility studies are almost complete on another five. Both NIC and SAIC are involved in three of the \$600 million Boeing

Offset Peace Shield projects.

Competition

There is, however, another reason for private sector caution: competition — and, more specifically, unfair competition. There is a growing consensus among the business community that if Saudi industry is to prosper and flourish, there will have to be either subsidies or protectionist measures, at least during its infancy. The authorities are none too keen on the idea. "It is not our policy," stated Industry and Electricity Minister Abdel Aziz Al Zamil earlier this year. "to foster inefficient industries producing poor-quality products behind a wall of protective tariffs." But certain industries believe they have good reason to complain. The kingdom's cement producers, already hit this year by a 20 per cent contraction in the construction industry, have had to slash prices from \$3.73 a bag to \$1.60 in coastal regions and \$1.87 inland to combat what they claim is dumping by producers from Spain, Greece and Japan. "This is war" was the recent reaction of the Saudi-Kuwait Cement Company chairman, Ahmad Al-Twejjeri. But, as Twejjeri pointed out, any further price cuts could put some producers out of business.

Allegations of dumping are also being made by the gypsum industry which likewise wants the government to introduce anti-dumping measures. Nor is the problem confined to the construction industry. Dairy farmers face a threat from imports of European Community-subsidized milk powder.

Yet despite these problems, there is every reason to believe that Saudi Arabia

is on the threshold of a major breakthrough as far as private investment in industry is concerned.

Making Progress

After a painfully slow start, the Boeing Offset program of capital-intensive high-tech industries looks as if it is finally about to take off. Four of the 11 originally designated projects are thought to be near the end of the feasibility stage and work may well start on them early next year. Progress on the even larger Tornado offer deal with the British has been

moving much faster. The first project, possibly a Rolls Royce zero engines repair center, may well be announced before the end of the year.

Altogether, the Tornado Offer deal will result in at least \$2 billion worth of projects being started in the kingdom, of which the Saudi private sector is expected to take a 50 percent equity stake.

International Markets

For its part, the recent crash on the international markets, together with the

decline of the dollar to which the riyal is pegged, may well act as a spur to Saudi investment back home. Several Saudi businessmen got their fingers burned in the crash. Omar Aggad, president of the Aggad Investment Company, is sure that it will prompt many Saudi investors to take "a closer look at investments in national industry." Certainly there is evidence of a halt in the flow of bank deposits from the kingdom, though whether this is a temporary effect or not is too early to say.

The decline in the dollar and with it the riyal should, however, have some clearly beneficial effects. First, it will make Saudi petrochemicals that much more competitive on the European markets; recently they had suffered because of cheaper feedstocks available to their European rivals. Second, it should solve the problem of dumping and undercutting within the kingdom. There will be no need for anti-dumping measures.

— Michael Dalmoak

Sharing the Risks and Rewards

THE subject of Saudi banking has become a three-way debate among optimists, pragmatists and pessimists. While they generally cite the same issues and evidence, they draw strikingly different conclusions.

Oil revenues in themselves did not create the characteristics necessary for the strong development of a domestic economy — especially of a newly industrializing economy. Oil revenues gave the government the opportunity to invest.

But as the majority of that investment was in the social and physical infrastructure of the nation (admittedly an essential investment), the role of the banks and of the private sector was necessarily determined by that of the public sector as the overwhelming contributor to Saudi's GNP.

Key Sector

The construction sector has traditionally been the most significant economic indicator, and current forecasts from the authoritative International Review anticipate strengthening perfor-

mance, with the sector achieving levels of \$21.8 billion annually over the next three years and the public sector accounting for \$14.4 billion a year.

This is good news for the banks, most of whom reported significant downturns in profits for 1986. Several of the better-known joint-venture banks were particularly affected.

Shaukat Aziz of Saudi American Bank puts this into context, pointing out that most institutions have sought to strengthen their balance sheets by increasing reserves. He also notes that, in terms of ratios, Saudi banks in general are among the most strongly capitalized in the world.

National Commercial, the kingdom's oldest and largest bank, reported a near 15 percent increase in assets in 1986, but a 19.8 percent decline in net profits, partially accounted for by provisions representing 3.4 percent of loans.

Riyad Bank, the other long-established domestic institution, recovered from a drop in total assets be-

tween '84 and '85 to an increase of 7.5 percent between '85 and '86 but, at the same time, saw net profits fall 63.1 percent.

Consolidation

Some commentators suggest that these wholly domestic institutions may be in a stronger position during periods of consolidation. In the rich years, they did not have access to their joint venture competitors' international contact networks; but in the lean years, their domestic relationships and loyalties may well pay dividends. They have also taken steps to develop their own international networks. NCB, for example, already has representative offices in London (which may become a full branch), Frankfurt, Seoul, Singapore and Tokyo, with full branches in Bahrain and Beirut. Riyad Bank not only has its city branch in London, but also opened a retail branch in Park Lane recently.

Andrew Dixon, deputy managing director of Saudi British Bank, provides an-

other optimistic perspective: "We are quietly confident about the period of consolidation and reorganization. We are very technology-oriented and believe that our investment in this infrastructure stands us in good stead to accept the challenges of the future."

Major Markets

As market institutions, banks go where the business is. For over a decade, the overwhelming majority of asset acquisition by banks in the kingdom was either in supporting domestic economic development or international, where the only significant window was international sovereign debt — usually in the Third World.

The nature of the domestic market led the banks to concentrate on short term and, as they thought, very secure lending such as trade finance to cover the necessary imports or contractor finance to provide short term working capital for the private sec-

See Sharing, Page 14

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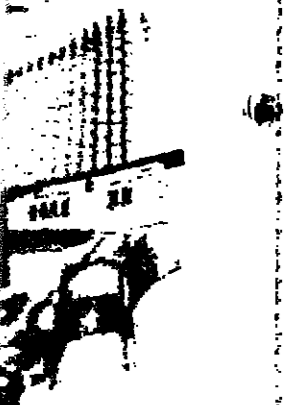
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Petrochemicals: Off the Drawing Board and onto the Market

TEN years ago, Saudi Arabia's petrochemical industry was in the planning stage, but today Saudi Basic Industries Corp. (SABIC) sells more than 3 million metric tons of chemicals, plastics and fertilizers, worth over \$1 billion a year.

SABIC, which is 70 percent owned by the government and 30 percent owned by the public, now operates 11 plastic, fertilizer and chemical plants. Private investors have also announced plans to produce aromatics, polyols, PET resins, and maleic anhydrides.

"I see in the future that Saudi Arabia will be one of the main industrial centers for commodity chemicals and petrochemicals," said Ibrahim Ibn Salamah, vice chairman and managing director of SABIC.

The corporation was founded to establish joint ventures that would contribute technology, marketing expertise, and help toward that goal. The investments would have the benefit of low-cost natural gas, tax holidays, and entitlements to crude oil in the event of future crude oil shortages.

Mobil, Exxon, Texas Eastern, and Celanese from the United States have entered into joint ventures. Eni Chem of Italy, Neste Oy of Finland, Mitsubishi of Japan, as well as Korean and Taiwanese firms have also established joint venture companies in tandem with SABIC.

president of SABIC subsidiary SABIC Marketing Ltd., Abdullah Nojaidi. He stresses that much of SABIC's output is consumed in the kingdom, both directly and in conversion into other products.

The new 50,000 mtpa Burene-1 unit added by Arabian Petrochemical Co. (Petrokemya) will ship its output to SABIC plants producing linear low-density polyethylene (LLDPE) and high-density polyethylene (HDPE). At least half of SABIC's ethylene dihalides is now converted to PVC and VCM. Saudi farming consumed a large portion of its urea fertilizer output.

A methyl tertiary duryl ether (MTBE) plant will come onstream in 1988. The kingdom is considering a plan to switch to unleaded gas, which would use a large proportion of the plant's output.

Much of SABIC's future PVC production will go to the kingdom's large PVC-consuming industrial materials sector. Polystyrene is also used by the kingdom's industrialists. Consumption of plastics in the kingdom is now more than 180,000 tons per year.

SABIC products are sold both by its joint venture partners, and its two wholly owned subsidiaries, SABIC Marketing and SABIC Marketing Services, established in 1983. SABIC Marketing Services is established in London and Hong Kong and has a representative office in Tokyo.

SABIC has also opened overseas sales offices, SABIC Marketing Europe, based in London, and SABIC Marketing America, in Stamford, Connecticut. "The objective is to keep

SABIC close to the market," said Mr. Nojaidi.

Meanwhile, SABIC is continuing to expand. In addition to the Burene-1 unit, a 100,000 ton per year polystyrene unit at Petrokemya is starting up. The Saudi European Petrochemical Co. (Ibn Zahr) 500,000 mtpa methyl tertiary butyl ether (MTBE) joint venture is expected to be operational in 1992.

The National Chemical Fertilizer Co. (Ibn al-Baytar), a joint venture with SABIC-owned SAFCO, has begun shipping ammonia and has a capacity of 500,000 mtpa of ammonia. Further, SABIC is advancing on the second phase of Ibn al-Baytar; it will add an 800,000 mtpa compound and phosphate fertilizer plant. The capacity of Saudi Methanol Co. (Ar-Razi) may also be raised from 600,000 mtpa to 1.2 million mtpa.

In the longer term, SABIC is considering a 200,000 to 250,000 mtpa polypropylene plant in Yanbu, the kingdom's giant petrochemical port on the Red Sea. Other projects could produce polyesters, and alkyl resins, and alfa olefins.

SABIC was formed to encourage the development of downstream industries. One of these, the Saudi Urethane Chemicals Co. Ltd., has gone onstream in Jubail. The 3,000-ton per year polyols plant is a joint venture between the Albahrain Industrial Group, Synthesia Espanol of Spain, and Upjohn Polymer of the United States.

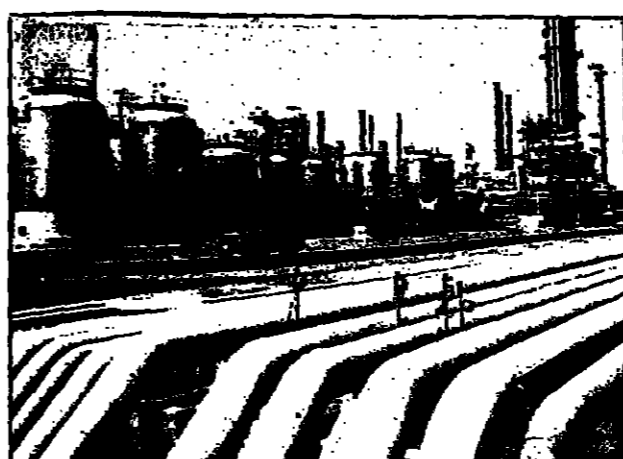
Jeddah's Saudi Venture Capital Group has received industrial licenses for PET resins, maleic anhydrides, and aromatics. Fluor Arabia

helped with research and feasibility studies.

The National Industrialization Company (NIC) has invested in Shaico's Kerr-McGee joint venture titanium dioxide plant. NIC has also formed a joint venture to collect hazardous waste at Jubail. The National Company for Environmental Preservation (BEEAH) is accepting bids on a plant that will process 10,000 tons of waste per year using landfill, high temperature incineration, and chemical treatment. Khadamat and NIC will own 25 percent each, the remainder will go to Saudi investors.

Mr. Nojaidi welcomes private sector participation in petrochemicals, but warns Saudi entrepreneurs that they are entering a competitive business and that they have to look beyond the domestic market. "You need very aggressive businessmen to take initiative and risks in this business," he said. "They should produce international products that can compete on international markets."

— Doug Graham



Petref Export Refinery in Yanbu.

Foreign Investment In Industrial Cities

WHEN H.E. Mr. Hisham Nazer, Minister of Petroleum and Minerals, toured the United States earlier this year, he urged American businessmen, especially those in the petrochemicals industry, to join Saudi Arabia in more joint ventures.

Saudi Arabia, he said, was going to use its vast gas and oil resources to estab-

lish a world class petrochemicals industry. His country had no intention of dumping cheap petrochemicals in order to capture a share of the global market.

Fifteen of Saudi Arabia's 17 scheduled world-scale petrochemical and industrial plants already are up and running in the twin industrial cities of Jubail and Yanbu. The two projects, conceived and implemented by a Royal Commission, represented more than a \$30 billion investment.

Prince Abdullah bin Faisal bin Turki, secretary-general of the Royal Commission for Jubail and Yanbu, describes the commission as "a unique development agency not only within Saudi Arabia but, perhaps, in the entire world."

Prince Abdullah joined the commission when it was established in 1975 to build primary petrochemical industry plants at Jubail on Saudi Arabia's east coast — now linked by pipelines across the desert to Yanbu on the Red Sea. Development has been carried out in concert with both the Saudi Basic Industries Cor-

poration (SABIC) and Petromin, the energy agency.

The two cities are the cornerstone of the country's industrialization and have reached new limits in joint-venture operations with partners from the United States, Japan, Taiwan, South Korea, West Germany, Italy and Finland, among others.

Jubail was a fishing village 18 years ago. Now its population numbers 50,000 and is expected to increase to over 250,000 after the turn of the century.

The whole area is a maze of glistening silver pipes feeding primary products and natural gas to power the plants. Through it all slices a black tarmac four-lane highway with a steady stream of constantly moving heavy traffic.

Says Prince Abdullah: "The twin cities of Jubail and Yanbu host over 100 light manufacturing industries to support a variety of needs — not only of the cities themselves but of our domestic markets generally. As construction, engineering and urban development projects, Jubail and Yanbu are unique industrial cities with state-of-the-art utility systems and infrastructure and a community environment program that has captivating esthetic form and a fully modern social services content."

Both Prince Abdullah and H.E. Mr. Hisham Nazer stress the need for greater private investment within the kingdom, not only directly from private companies but also in association with foreign partners.

"The government has made it quite clear that the ultimate responsibility for the industrialization of our country rests with private enterprise," says Prince Abdullah. "While it is true that the government has in-

tervened in the industrial sector in association with leading corporations of the world, the objective has always been the nourishment and growth of the private sector."

He points out that the present period of economic consolidation and industrial diversification has also provided the Saudi businessman with a chance to "remold his initiative. The high rates of return during the made-led boom years have to be transformed to lower rates of return spread over a longer period, particularly in the manufacturing sector."

Referring to future investment, Prince Abdullah said that, despite government spending constraints, capital scarcity was not a problem for the country's economic development. "The government has adequate reserves and, what is not always remembered is that the private sector holds almost as much reserves as the government itself. The tapping of this vast reservoir of capital is one of the primary tasks of the present phase."

According to Abdul Aziz Al Zamil, Minister for Industry and Electricity, Saudi Arabia has more than 2,000 operational factories and manufacturing plants representing an investment of \$16 billion.

"We want competitive, viable industries which can generate a net national economic benefit," says the minister.

Encouraging greater private and foreign investment in Saudi Arabia is now a number one priority. Prince Abdullah and the Royal Commission hope that potential foreign investors will look closely at Jubail and Yanbu and see for themselves that Saudi Arabia is open for business.

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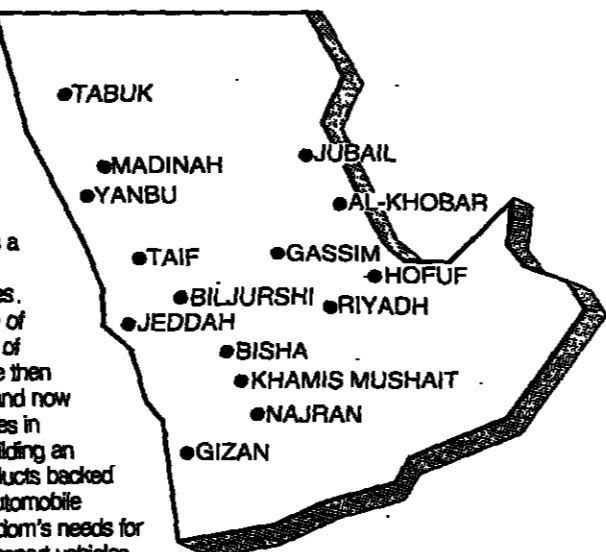


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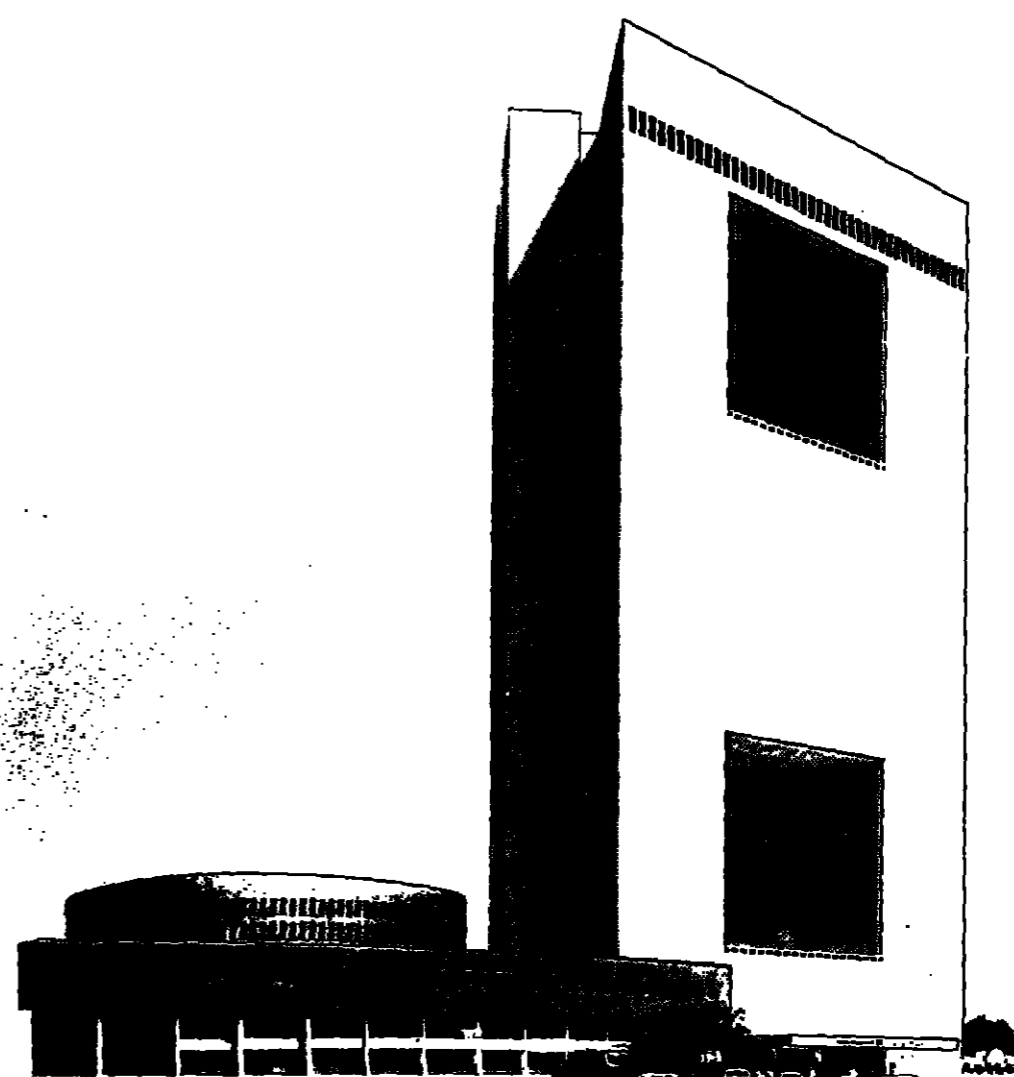
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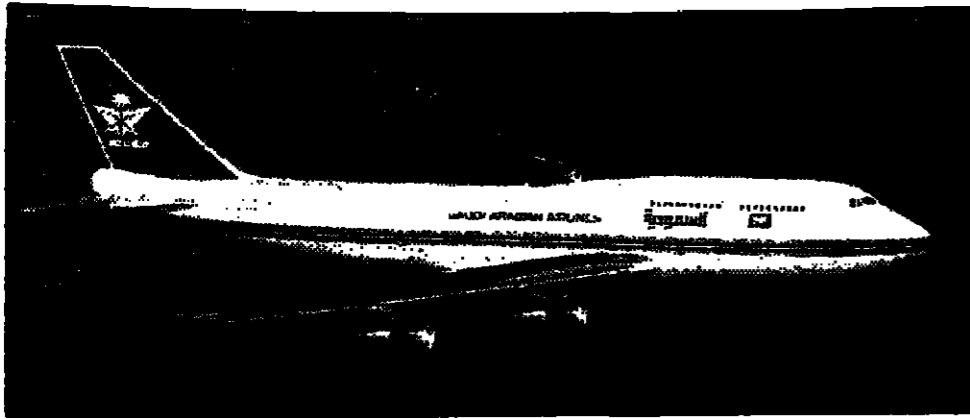
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comprehensive services are supported by a global network of branches and representative offices in London, New York, Frankfurt, Bahrain, Beirut, Singapore, Seoul and Tokyo. This is the kind of base you need when conducting business in Saudi Arabia and the Middle East. With a full range of modern banking and financial services we are ready when you are.

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Saudia's modern jet fleet includes the Boeing 747-300.

Saudia Continues to Expand Routes and Upgrade Services

THE past year and a half has not been a particularly easy time for airlines operating in and out of the Middle East. For several reasons, primarily economic, traffic has dropped considerably. Yet for the biggest airline in the region, there has been little cause for complaint.

The number of passengers carried by Saudia last year (10.5 million) may have been below the 1985 figure by half a million, but its market share was up 2 percent. It was the same story with cargo; boarding was down in line with the regional market trend, but Saudia's share of the international air cargo market was up 1 percent and sales were up 7 percent.

Saudia has not only stood up to the changed conditions with minimal loss in terms of profit and passenger traffic, it has continued to expand. New routes have been brought into operation, to Dacca and Kuala Lumpur, and others to the Far East are planned. The Far East is seen as the main area of development.

Similarly, aircraft and services are being updated even though Saudia, with

110 aircraft, most of them wide-bodied, already has one of the most modern fleets in the world. But while most U.S. or European airlines would consider that at 15 years, their aircraft still have a good few years' service in them, Saudia's policy is to replace after about 12 years. It is rumored that it will start looking to replace its 10- to 12-year-old fleet of Tristars in the near future and although the airline operates a mix of aircraft, there is every possibility that it will be looking to Boeing for replacements. The majority of its planes are already Boeings.

Saudia's continued success, despite the downturn in regional traffic, is all the more remarkable given that 70 percent of its passengers are carried at a loss. Saudia operates a cheap fares policy on domestic flights in line with government wishes that travel within the kingdom should be accessible to all. The company makes its profit, and a handsome one at that, from the 30 percent of passengers who fly internationally.

The need for cheap fares within the kingdom is fairly self-evident given the terrain and the large distances

involved. Apart from the United States, no other country has as many people per head of population traveling by air. Last year seven out of every 10 people traveled once by air within the kingdom. That compares to the figures in Britain, for example, of one in every six. (In the United States, everyone takes approximately 1.4 internal flights a year.)

Given the Saudi propensity to fly, it was not surprising that investment in a new generation of airports was deemed necessary more than a decade ago, especially in those acting as international gateways — Jeddah, Riyadh and Dhahran. In all three cases, the existing airports were located in urban areas that effectively prevented expansion to meet the anticipated growth in air traffic.

International Airport Project, a division of the Ministry of Defense and Aviation, was set up in 1976 to oversee expansion plans. Since then new airports have been opened in Jeddah in 1981 and Riyadh in 1983. The \$2 billion Dhahran airport, which will be called King Fahd International and will serve as the kingdom's eastern

gateway as well as the regional hub for domestic travel, is expected to be operational by late 1989. It will have a capacity of 10 million passengers a year. The terminal is already structurally complete; work is currently being carried out on a 6,000-square-meter mosque to accommodate 6,000 worshippers.

When it does open it will not be the end of the road. Like London's Heathrow, which has been called the world's only permanent building site with its own airport, development and expansion will be a regular feature of life at Dhahran, as it will be at Jeddah and Riyadh.

There are already plans for a second, 16 million capacity terminal as well as for an accompanying mass transit rail center and the main bus headquarters for the region. Both Aramco and Petromin, the state oil corporation, intend to build their own aviation facilities on site.

However, the whole question of expansion at Dhahran depends on demand. It had originally been projected that the new airport would be handling 5.5 million passengers by 1990, but this has been revised downward to 4 million because of the effects of the new Dammam-Riyadh highway and Bahrain causeway. Both have siphoned off potential traffic. In Jeddah's case, there has been little such competition, which is why plans are in hand for another terminal to meet Saudia's anticipated growth in demand over the next 10 to 15 years.

If that growth becomes a reality, and there is every chance it will, then Saudi Arabia will overtake the United States as the leading air traveling country, in per capita terms.

— Michel Dalmoak

Hotels: Intense Competition Sharpens a Tight Market



Marriott Hotel in Riyadh (above) and Jeddah (below).

THE market in Jeddah is good, Riyadh is tougher, and the Eastern Province is murder, says Gary Gagnon of the Red Sea Palace.

Jeddah has year-around occupancy with business travelers in the winter and Moslem pilgrims in the summer. Riyadh attracts businessmen in the winter, but when the government moves to its summer capital of Taif, business drops sharply. The Eastern Province has too many hotels.

Because of the surfeit in major cities, the Hotels Department of the Ministry of Commerce has banned new hotel construction in Jeddah, Riyadh, Dammam, and Al-Khobar.

time I arrived here, the fall in hotel occupancy in Riyadh had bottomed out. To add to this, the Intercon had an expansion with 100 rooms in October 1986, which wasn't making the job any easier.

"I saw that Riyadh hotels were reasonably priced and the quality was good compared to other hotel markets. It was also clear that figures showed that those hotels that just cut prices lost market share. I felt that businessmen were looking for service."

The Marriott hotels have performed strongly in Riyadh and Jeddah, pursuing a businessman-oriented policy. Fully equipped business centers and luxurious rooms are a plus. Further, in both Jeddah and Riyadh, the hotels are located in excellent locations close to main traffic arteries. In Jeddah, the Marriott is the city's newest luxury hotel.

In Riyadh, hotels that rely on airline crews have performed less well than

expected. They are now anxiously awaiting the opening of a new hotel at King Khaled International Airport, which will be competing for the same business.

The hotels that have performed best tend to be those with international partners. Marriott, Intercontinental, Hyatt, Ramada, Holiday Inn, Meridien and others have hotel operating agreements in the kingdom. The owners benefit from expertise as well as an international name and referral service.

Intercontinental also operates the government-only Conference Palaces. Its hotels are the Riyadh Intercontinental, the Taif Intercontinental, the Makkah Intercontinental and the Abha Continental.

The Hyatt name is found in Riyadh, Giza, Jeddah and Yanbu.

Sheraton has opened Riyadh's newest 5-star hotel, the Atallah Sheraton Hotel, and operates hotels in Taif and Medina. Gustar operates the Red Sea Palace, in Jeddah, and the Al-Khazama Hotel, in Riyadh.

— Doug Graham



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Albahrain Takes the Biscuit

FRESH baked cookies and drip-free domes are extreme examples of the private initiative shown by Saudi entrepreneurs. But, for Abdul Latif S. Albahrain's group of companies based in the Eastern Province at Al Khobar, they are the order of the day.

"Get rid of caution and hesitation," said Industry Minister Abdul Aziz al Zamil when addressing a group of businessmen earlier this year. He advocated a closer relationship between the state and private sectors and suggested that it was time for the private sector to take up both the slack and the strain as far as the

business scene was concerned.

This is precisely what the Albahrain group has been doing in the last few years as its activities steadily expanded. One of its latest ventures has been a major plastics manufacturing plant in the Jubail Industrial City — probably the largest industrial park of its kind in the world.

The Albahrain industrial group has established a joint venture with the American firm, Upjohn Polymer Inc., and a Spanish company, Synthema Espanola, to produce 3,000 tons of polyether polyos and blended polyurethane a year. The factory comple-

ments Albahrain's existing polyurethane manufacturing plant in Jubail.

For, with this new factory, Saudi Arabia can now produce plastic products from its own feedstock rather than relying solely on imported materials.

The Polyurethane Manufacturing Company's furniture division produces a wide range of lightweight yet sturdy tables, chairs and desks. Most of these polyurethane products are intended for public institutions from schools to hospitals.

As well as being functional, the furniture has considerable esthetic appeal and — above all — is resis-

tant to ultraviolet light, often a problem with plastic furniture in the desert environment of the Gulf. The sun rots certain plastic materials, which then become brittle and break up.

Another design problem that has caused difficulties is insulating the underside of the thousands of domed buildings across Saudi Arabia. Albahrain has been able to overcome the problem by manufacturing a waterproof mixture of polyurethane and diathon that can be sprayed onto domes — and flat roof buildings as well.

The Minister of Industry has constantly stressed the need for greater import substitution within the Kingdom. Until comparatively recently it has not been an easy policy to fulfill.

However, a typical example in food processing is the manufacture of biscuits, crackers and cookies — another Albahrain venture that has become a major success.

In the new industrial city outside Riyadh a new aroma hangs in the air — the sweet smell of home baking on a massive scale at Albahrain's biscuit factory. It is housed in a long, low building on a corner site of the industrial park.

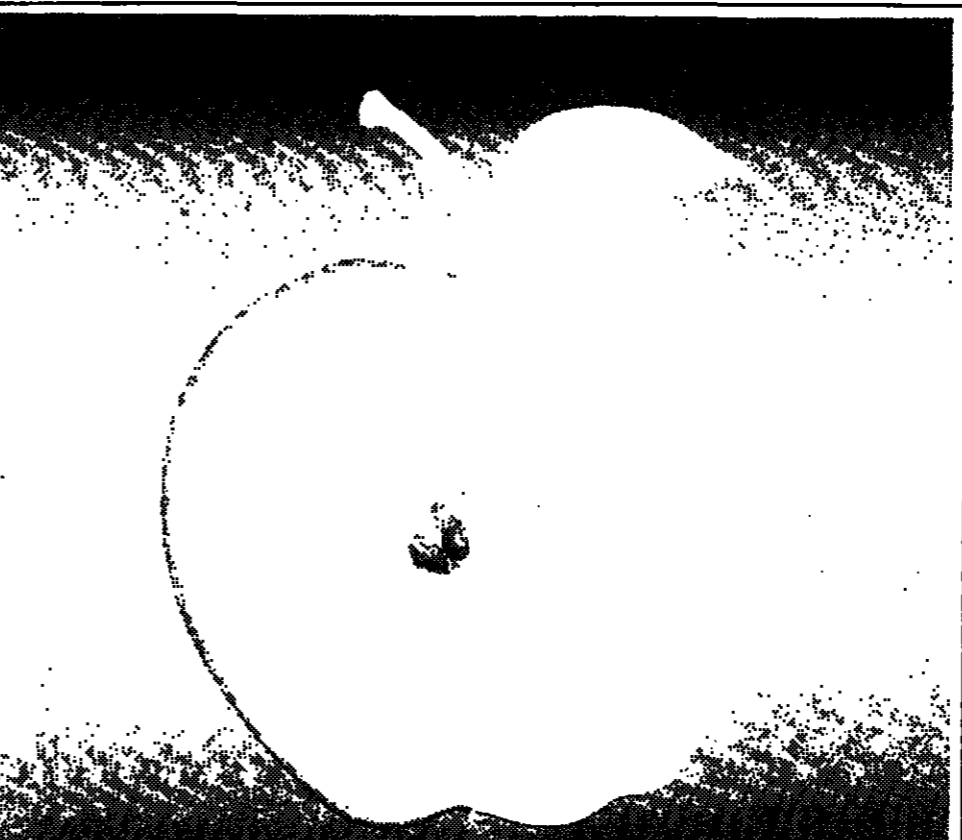
The factory has become a totally integrated operation using almost all locally produced raw materials.

Flour comes from wheat grown in Gassim, pure vegetable oils come from a refinery in Jeddah and many of the fresh eggs come from the chicken farms at Al Kharij.

Knowhow for the manufacture has been provided by West German and Swiss companies that have supplied some of the most up-to-date mixing, moulding and baking machinery.

Albahrain has been able to capitalize on its distribution network. There are ten principal centers in the Kingdom with their own sales and delivery teams that make sure customers only get the freshest baked biscuits.

Demand has proved to be so popular that Albahrain now exports its biscuits and cookies throughout the Gulf countries.



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REAL ESTATE DEMAND OUTSTRIPS SUPPLY

WHEN Gérard Jean and Hubert de Mont-Marin left Dupuy-Saatchi to found their own ad agency three years ago, they naturally looked for space in Neuilly. "We had always worked here," explains Mr. de Mont-Marin, "and our new agency needed the credibility that a chic Neuilly address could give us." The agency, Jean et Mont-Marin, first moved into a 300-square-meter town house, known as a "hôtel particulier." Two years later, after landing such important budgets as Pentax, Lancôme perfumes, Pan American Airways and S.T. Dupont watches, the partners set about looking for larger headquarters.

The search lasted more than six months and involved several real estate agents. The town house they moved into last month was built in 1784 and entirely renovated. The oldest of its kind in Neuilly, it is being rented to the agency on the basis of a 30-year lease with the town of Neuilly which owns it.

Three times larger than the agency's former house, it is also two and a half times as expensive. "The price we're paying has jumped from 1,000 FF to 2,500 FF per square meter and we had to decide if we wanted it in less than half-an-hour or it would have been grabbed by someone else," recounts Mr. de Mont-Marin.

becomes available, is taken right away."

Only five minutes from the Champs-Élysées, Neuilly is by far the most sought-after and expensive suburb of Paris. According to Françoise Vercaemer, of the international realtors Jones Lang Wootton, a major incentive for companies is the suburb's extremely low professional tax rate. At 7.917 percent (as compared to 11.667 percent in Paris, an average of 13 to 22 percent in the other Parisian suburbs and 27.297 percent in Aubervilliers to the northeast), Neuilly has the lowest company tax rate of the whole Paris region.

In addition, when companies started flocking to this then completely residential suburb at the beginning of the 1970s, the rents were cheaper than in most of Paris.

"When the commercial boom was at its height in the mid-1970s," recalls Mr. Labro, "we had thousands and thousands of meters available and sellers were forced to negotiate to be competitive." Since then the price of real estate in Neuilly hasn't stopped climbing. Over the past two years, with space increasingly rare and demand just as strong, they have soared 20 to 25 percent.

Office space is renting for 1,700 to 2,200 francs per square meter and selling for around 25,000 francs per square meter. That makes Neuilly property less expensive

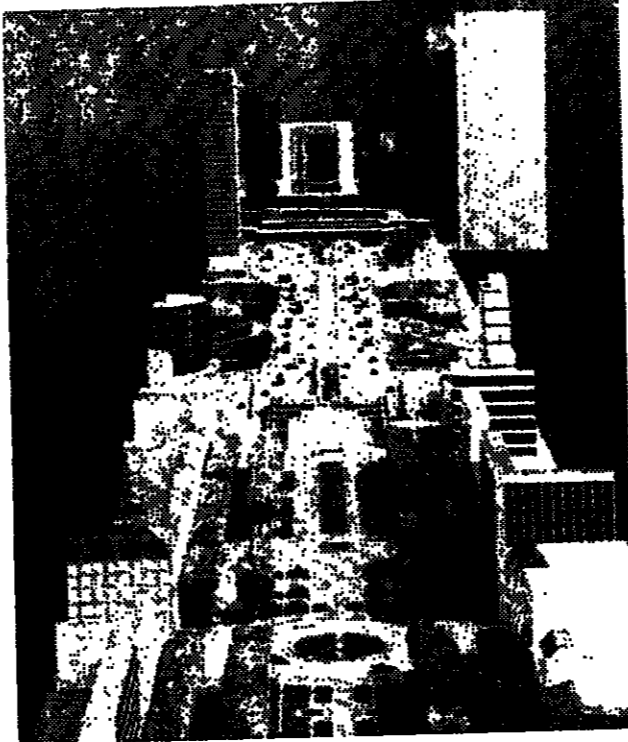
NEUILLY SUR SEINE

LIGHT AT THE END OF THE TUNNEL

WITH its tree-lined avenues and quiet streets, Neuilly could almost be mistaken for a peaceful provincial town — were it not for the avenue Charles de Gaulle, the main east-west road from Paris that currently cuts clean across its center. Every day, 150,000 cars take it to go back and forth to Paris.

The ideal solution — rerouting the traffic underground and creating a tree-lined pedestrian area above — might seem simple enough. Yet finding the appropriate financing has taken years.

According to the Mayor of Neuilly, Nicolas Sarkozy, one reason why the current one billion franc project has succeeded where others failed is because of the decision to cover only part of the avenue at a time. The 435 meters of tunnel for car traffic is only the first step but, as Sarkozy says, "it was important to begin."



A preview of the finished project.

regulations restrict commercial activities to the northern extremity of the suburb and the area on both sides of avenue Charles de Gaulle. Practically three-quarters of Neuilly are reserved for residential housing.

"The 1951 Urbanization Plan sheltered Neuilly from the over-development that many towns experienced in the wave of post-World War II construction," states Thierry Gaubert, one of mayor Nicolas Sarkozy's close collaborators. Stringent restrictions govern the height of buildings and their appearance. The town's trees are safeguarded, as are its gardens.

Such regulations have enhanced the value of the suburb while contributing to the rarity of space and the difficulty of construction. Mr. Gaubert estimates the number of new constructions at three or four a year. These usually involve the demolition of town houses which are difficult and expensive to keep up. Their owners will sometimes exchange them for a floor of the apartment house built in its place.

Many old-time Neuilly residents regret the disappearance of the private houses that covered the suburb half a century ago. Of the remaining 400, only the 300 located on private streets (dead-ends accessible only to occupants and their guests), are protected from demolition by municipal legislation. Many of the others will eventually be replaced by

apartment houses or office buildings in zones where commercial activities are allowed. Yet despite the cost of a town house, anywhere between 10 and 25 million FF, there continues to be a strong market for them. A turn-of-the-century town house near the Bois de Boulogne (the largest park in the Parisian area), with 300 square meters of living space and a 150-square-meter garden, recently sold for 15 million francs.

According to Noelle Portier of Neuilly-Paris-Ouest, one of eight realty agencies based here, Neuilly is the perfect combination of city and country living. "Bordered by the Bois de Boulogne, we have numerous municipal gardens," Ms. Portier points out. "What's more, most apartments have large terraces or balconies, while town houses have gardens." One of the few vacancies currently available at Neuilly-Paris-Ouest, for example, is a four room apartment in a modern building with 120 square meters of living space, a 180-square-meter terrace and parking. It is selling for 4.7 million francs.

Such luxury, so near to the center of Paris, is not within everyone's reach and over the years Neuilly has become a rich man's suburb, a status symbol for its residents. According to Daniel Calais of the Department of Urbanism at Town Hall, the average selling price in the residential market is 35,000 FF per square

meter, up 20 percent over the past two years. Renting has become so expensive that the market has virtually disappeared.

A combination of lack of office space, high prices and congestion along the main streets has sent some companies north or farther west. Nonetheless, the real estate market in Neuilly is expected to remain as tight as it is

today, with demand high and the vacancy rate low. Nobody can predict whether prices will continue to climb as they have over the past two years, nor how much people are willing to pay for space here, but no other suburb of Paris and few of its districts offer the convenience, amenities and prestige of Neuilly.

—Joyce Wakmann

THE NEAR WEST REDISCOVERED

LOOKING at Neuilly as it is now, with its fine boutiques, bevy of businesses, and sumptuous homes, it is hard to imagine that this area was once a plot of swampland. But that was back in the days when the potato was still nouvelle cuisine.

In 1786 Antoine Parmentier presented his first crop to Louis XVI. The vegetable — formerly confined to the Limousine area of France — swiftly became so popular that Benjamin Franklin found himself at a dinner where the menu consisted of nothing but potatoes in every possible form.

The pastoral past disappeared as thousands of companies discovered Neuilly's proximity to Paris, greater greenery and pure air. "The challenge now," as explained by Mayor Nicolas Sarkozy, "is to preserve the ecology of our town. We want the green of parks and gardens and trees to be the color of our city."

Efforts to preserve the trees and parks began back in the 1950s under Achille Peretti, the former mayor. Since then the city has blossomed into the home of 3,135 businesses employing 35,000 persons in 800,000 square meters of offices, mostly on the avenue Charles de Gaulle and the Ile de la Jatte. Yet building restrictions have preserved the city's 248 hectares of parks and gardens, guaranteeing the 65,000 inhabitants of Neuilly some 38 m² of park area per person.

No wonder 50 percent of the residents are either company presidents, professionals or top managers (not to mention

the diplomatic population which live in the city's 24 foreign embassy residences). The 64,450 inhabitants currently pay 1 percent of the total income tax paid in France and 24 percent of those in the Department of the Hauts-de-Seine.

Neuilly's commercial sector is equally upmarket. As a crossroads of communication, it houses 400 companies in the fields of radio, television, publicity and publishing.

As early as the 1930s, Chanel Perfumes moved in because, "we had a presentiment of the luxurious character of this site," says a spokesman for the company. Since 1980, Yves St. Laurent Perfumes has also been based on the Ile de la Jatte and, next year, will be joined by Paco Rabanne.

Building and refurbishing projects account for 63.48 percent of the city budget. Massive projects such as the 40 million franc remodeling of the Place du Marché are being financed by city hall in conjunction with private companies to relieve the burden on the taxpayer.

In a master-stroke of combining good living with sound urban planning, the city has also found a solution for the busy — and noisy — traffic on the avenue Charles de Gaulle. And work is forging ahead on the installation of a total cable network for mid-1989.

As Renée Michelangeli-Peretti, daughter of former Mayor Achille Peretti and director of Neuilly Journal Independent concludes: "You cannot prevent change, but you have to manage it well."

—Harriet Welty-Rochefort



Secluded homes in quiet streets.

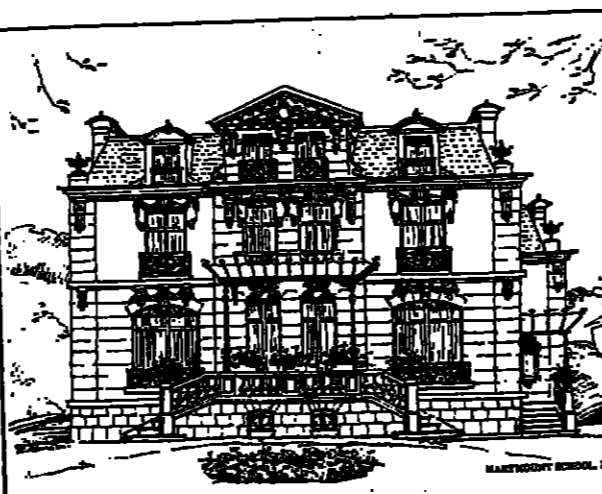
The difficulties encountered by Jean et Mont-Marin in finding space and the price they had to pay to stay in this prestigious suburb of Paris are by no means unique. "A company that wants to move into Neuilly today has to be extremely determined and patient," states Robert Labro of Jean Thourard, one of France's top commercial real estate consultants. "Whatever space

is available, is taken right away."

Only five minutes from the Champs-Élysées, Neuilly is by far the most sought-after and expensive suburb of Paris. According to Françoise Vercaemer, of the international realtors Jones Lang Wootton, a major incentive for companies is the suburb's extremely low professional tax rate. At 7.917 percent (as compared to 11.667 percent in Paris, an average of 13 to 22 percent in the other Parisian suburbs and 27.297 percent in Aubervilliers to the northeast), Neuilly has the lowest company tax rate of the whole Paris region.

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NYSE Most Actives table with columns: Vol, High, Low, Last, Chg. Lists top active stocks like USFC, Procter, etc.

Market Sales table with columns: NYSE 4 a.m. volume, NYSE adv. volume, etc.

NYSE Index table with columns: High, Low, Close, Chg. Lists Composite, Industrials, etc.

Friday's NYSE Closing logo with text: Via The Associated Press

AMEX Diary table with columns: Class, Priv., Total Issues, etc.

NASDAQ Index table with columns: Class, Priv., Week Ago, Year Ago, etc.

AMEX Most Actives table with columns: Vol, High, Low, Last, Chg. Lists ECH, Dole, etc.

Dow Jones Bond Averages table with columns: Bonds, Utilities, Industrials, etc.

NYSE Diary table with columns: Close, Prev., Adv/Decl, etc.

Odd-Lot Trading In N.Y. table with columns: Buy, Sales, Short, etc.

Dow Jones Averages table with columns: Open, High, Low, Last, Chg. Lists Indus, Trans, etc.

Standard & Poor's Index table with columns: Industrials, Utilities, etc.

NASDAQ Diary table with columns: Close, Priv., Adv/Decl, etc.

AMEX Stock Index table with columns: High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Large table of stock prices with columns: 12 Month High/Low, Div, Yld, PE, etc.

NYSE Up in Moderate Trading

NEW YORK — Prices on the New York Stock Exchange posted small gains Friday in moderate trading after a late rally ended a directionless day and brought the week to a close on a modestly cheerful note.

The Dow Jones industrial average, which fell 47.08 Thursday, gained back 11.60 points Friday to end at 1,867.04.

The blue-chip index had been ahead more than 30 points during the morning and was up by more than 10 as late as noon. It then spent most of the afternoon hovering around the break-even point before moving up in the final hour of trading.

For the week the Dow gained 100.30 points, or 5.7 percent.

Advances led declines Friday by a 13-12 ratio. Volume was about 151 million shares, down from 189 million Thursday.

Broad-market indexes rose. The New York Stock Exchange index gained 0.72 to 131.79. The price of an average share gained 16 cents.

Traders and analysts said Friday's directionless trading reflected uncertainty throughout the market.

"It's drifting toward stability after losses" on Thursday, said Chester Pado, director of technical research with Jefferies & Co. in Los Angeles.

Table of stock prices with columns: 12 Month High/Low, Div, Yld, PE, etc.

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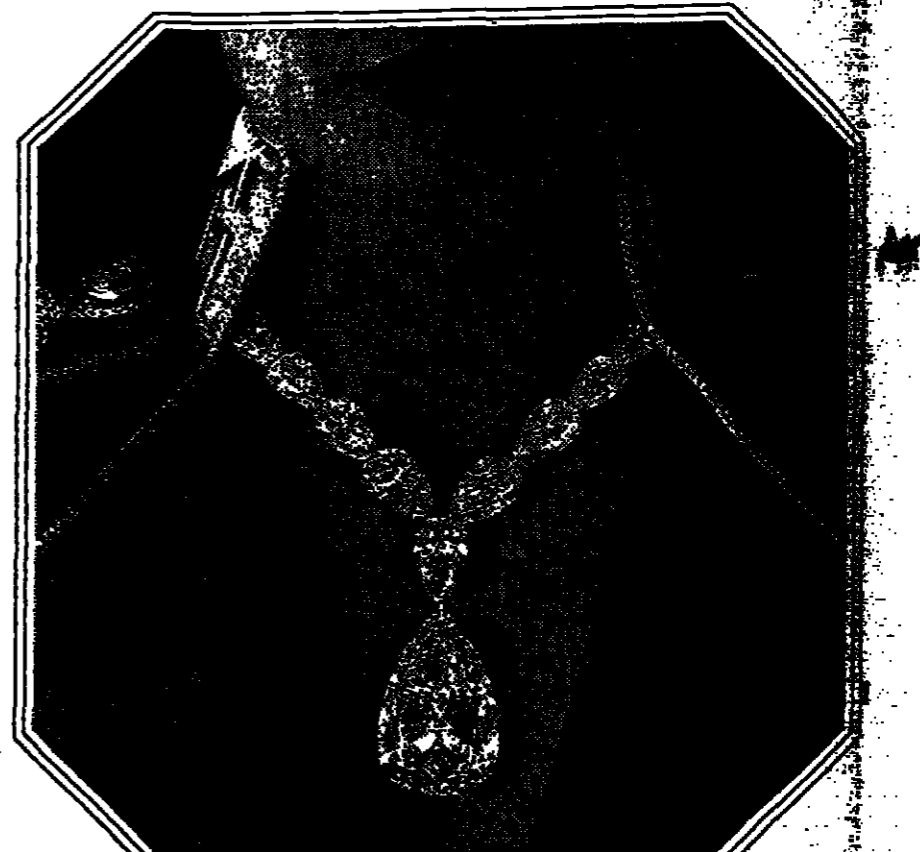
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Friday's NYSE Closing

Tables include the national average price up to the closing on Wall Street and do not reflect late trades elsewhere.

Table of NYSE closing prices for various stocks including IBM, Microsoft, and others.

Table of international stock market data including London, Frankfurt, and Tokyo.

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BUSINESS ROUNDUP

Sears PLC Makes Bid for Freemans

LONDON — Sears PLC, the British retail stores group, said Friday it was offering £430 million (about \$788 million) in cash for Freemans PLC, a mail order group.

BMW Sets Up Special Division To Invest in Technology Firms

MUNICH — Bayerische Motoren Werke AG is diversifying by buying into technology firms and has set up a special division responsible for the purchases, a company spokesman said Friday.

GM, Toyota to Produce Jointly in Australia

MELBOURNE — General Motors Corp. of the United States and Toyota Motor Corp. of Japan, the world's largest automakers and fierce competitors, said Friday they would join forces in Australia.

ECONOMY: U.S. Index Steady

(Continued from first finance page) Total sales in the September-November period this year decreased 1 percent from the previous three months, the department said.

SEABROOK: Project Shows How Inefficient Nuclear Plant Outlays Can Be

(Continued from first finance page) Commission recently changed its rules to accommodate reactors whose neighbors are seeking a veto over operations.

Hill Samuel To Sell Wood Mackenzie To NatWest

LONDON — County NatWest Securities Ltd., the investment banking unit of National Westminster Bank PLC, said Friday it would buy the stockbrokerage Wood, Mackenzie & Co. from Hill Samuel PLC for an undisclosed sum.

Japan Firm Cuts Wire Service Fees

TOKYO — Kokusai Den-shin Denwa Co. said Friday it would cut international wire service rates by an average of 22 percent next month.

Stockholm Exchange Seeks Lifting of Tax for Foreigners

By Juris Kaza Special to the Herald Tribune STOCKHOLM — The board of the Stockholm Stock Exchange unanimously urged the government Friday to exempt foreign investors from a 1 percent transaction tax on share trading in Stockholm.



Eberhard von Kuenheim

AG, a French computer concern.

Mr. Kuenheim said that in the short term, BMW was interested in auto technology and, in the long term, in the possible development and marketing of special products.

SAS is Upheld on BCal Bid

LONDON — Britain's Civil Aviation Authority said Friday it had approved the partial offer by Scandinavian Airline System for a 26 percent stake in British Caledonian Group PLC.

Holiday Sales Pick Up

After a sluggish start, sales for the first 10 days of the Christmas shopping season picked up in many U.S. stores, retailers said Thursday, The New York Times reported.

United Illuminating Co. Seeks Lifting of Tax for Foreigners

By Juris Kaza Special to the Herald Tribune STOCKHOLM — The board of the Stockholm Stock Exchange unanimously urged the government Friday to exempt foreign investors from a 1 percent transaction tax on share trading in Stockholm.

SAFIRE IN THE U.S. MONDAY — IN DEFENSE OF THE ENGLISH LANGUAGE AND ITS PROPER USAGE

CURRENCY MARKETS

Dollar Continues to Fall in New York

NEW YORK — The dollar continued to fall Friday in New York, still under pressure amid a general belief that the Reagan administration is unwilling to aggressively defend the currency.

London Dollar Rates

Table with columns for currency (Sterling, Swiss franc, French franc) and rates for Friday and Thursday.

which closed at \$1.8380, against \$1.8308.

Traders in London said the mood in dealing rooms was lethargic.

Most traders said that unless the United States signaled that it was satisfied with the dollar's level, the currency would continue to drift down.

The dollar has lost around half its value since concerned international action began pushing it down in 1985.

Earlier in Europe, the dollar was fixed in Frankfurt at 1.6315 DM, down more than 3 pfennigs from 1.6617 on Thursday, and in Paris at 5.5428 French francs, down more than 9 centimes from 5.6375.

In Zurich, the dollar closed at 1.3340 Swiss francs, down from 1.3358 on Thursday.

Japan Is Ready To Intervene

Agence France-Press

TOKYO — Satoshi Sumita, governor of the Bank of Japan, said Friday that the central bank was ready to increase market intervention to prevent the dollar from sliding further.

"The Bank of Japan will promote coordinated market intervention with other countries," Mr. Sumita told the Diet, Japan's parliament. He said that, if necessary, the bank would intervene independently to prevent the yen's further rise.

Meanwhile, Finance Minister Kiichi Miyazawa told the Diet he hoped that a meeting of the Group of Seven industrialized countries would be held after the United States approves deficit-cutting measures.

CURRENCY: Dollar Could Firm SCENE: Facing Up to the Deficit

(Continued from Page 1) Howard Kurz, partner in the New York investment management firm of Buchen, Kurz & Co., said that more drastic medicine was needed.

The dollar will only strengthen when the United States "raises interest rates enough to hit the stock market, slow consumer spending, keep inflation in check and generally slow the economy," he said.

That will require a major policy change which is "real tough in an election year," he said. "We are not at that point yet."

Many analysts also said that even if the dollar were held temporarily at current levels, it could fall further in the months ahead.

Mr. Horne said he believed that it would descend in a series of steps to as little as 100 yen to the dollar by the end of next year or early 1989. Even if there is an international agreement to hold the dollar above 125 yen in the coming weeks, "there will be another round of pessimism," he predicted.

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(Continued from first finance page)

Mr. Wajnlower seems to oppose tax increases or spending cuts. But curbing domestic demand by fiscal and monetary restraint could avoid the disruptive effects of disorderly methods: accelerating inflation, soaring interest rates, a free-falling dollar or rising unemployment.

And if the downward adjustment of U.S. demand is matched by policies elsewhere to increase demand, the danger of severe recession or depression everywhere could be avoided.

Will the ultimate pain be the

Euro-Commercial Paper

Table with columns for maturity (15-45 days, 46-75 days, 76-105 days, 106-135 days, 136-165 days, 166-183 days) and various financial metrics.

Japan Banks Constrained in Meeting World Capital Ratio

TOKYO — Japanese banks are prepared to comply rapidly with proposed new rules on international capital adequacy, but domestic regulatory controls would prevent them from doing so, bank officials said Friday.

They said that the new standards, approved in principle Thursday by a group of major industrial nations, also would mean that Japanese banks could no longer compete in the size of their assets by lending cheaply.

"That's a really high hurdle to clear," said a manager at a major Japanese bank.

A group known as the Cooke Committee that operates under the auspices of the Bank for International Settlements proposed a requirement that banks in 12 industrial nations maintain capital equal to 8 percent of assets, weighted for risks, by 1992. No common rule now exists.

Bankers' Federation, said he was relieved to know that the proposed capital rule took account of Japanese banking practices, such as hidden reserves and equity cross-holdings.

Japanese bankers said they had anticipated the stiffer adequacy requirements and had already moved to raise their capital ratios by floating new shares earlier this year.

However, the capital ratios of Japan's 13 major commercial banks remain small, ranging from 2.6 percent to 3.46 percent, industry sources said.

Japanese banks have so far been allowed to report much higher ratios by including 70 percent of their hidden reserves, or unrealized gains on their equity, as part of primary capital. If 70 percent of such hidden reserves were allowed to be included, the capital ratios of Japanese banks would average between 9 and 11 percent, the sources said.

But now that the new capital rule would allow us to count only 45 percent of hidden

reserves, the average ratio would get down to 7 percent," a senior Japanese banker said.

That means Japanese banks would have to increase their capital ratios by between one and two percentage points over the next five years, which appears nearly impossible unless they are allowed other means to raise capital or reduce assets, he said.

The senior banker said that his bank issued 35 million shares to raise about 180 billion yen (\$1.39 billion) this year, but that the move raised its ratio only by 0.1 percentage point. "Floating new shares alone would hardly help us attain the 8 percent target by 1992," he said.

Banks that will need to find new means to boost capital, such as issuing convertible bonds and subordinated capital notes at home.

Japanese banks are not allowed to issue subordinated notes, however. Although smaller banks may float domestic convertible bonds, the 13 major city banks are prohibited from doing so.

The dollar was also lower against the British pound, which closed at \$1.8380, against \$1.8308 on Thursday.

However, the dollar's close was above the postwar lows touched earlier Friday in Asia of 1.6260 DM and 128.10 yen.

Traders said that gloom continued to hang over the market after Thursday's report of an unexpected widening in the October trade deficit to a record \$17.63 billion from \$14.08 billion in September.

Dollar buying Friday by the central banks of Japan and Britain simply slowed the dollar's decline, and was not viewed as an attempt to halt the fall.

The Fed was rumored to have intervened for the second day, but the speculation was not confirmed. Dealers said that any Fed dollar purchases on Friday had little impact.

Friday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This feature is the AP's consists of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year. Via The Associated Press.

Table A: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMF, AMT, AMX, etc.

Table B: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Table C: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Table D: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Table E: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Table F: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Friday's AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table G: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

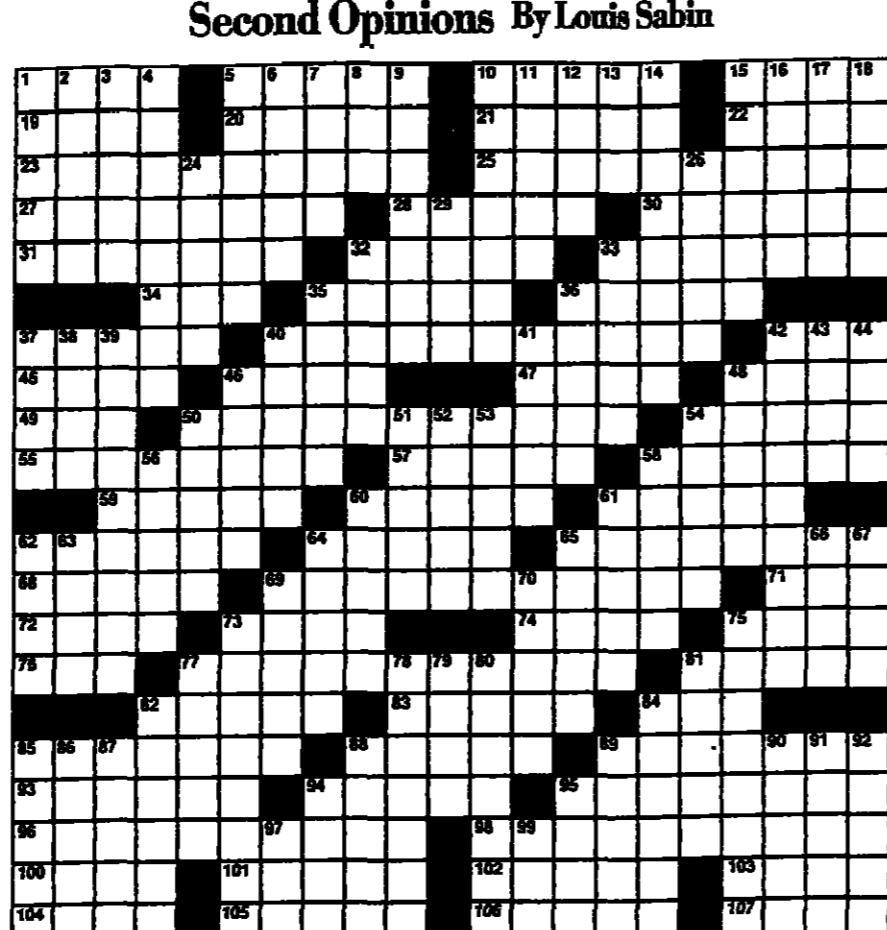
Table H: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Table I: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Table J: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

Table K: 12 Month High Low Stock Div. Yld. % High Low 4 P.M. CHG. Includes stocks like AMT, AMX, AMZ, etc.

ACROSS 1 Burn midnight oil 47 Take flight 76 Hopped-up drink



DOWN 1 Rio Grande feeder 16 Record verification 40 Thirst quenchers

DOWN 60 Tickle 67 Witness 81 Consumers' protector 88 Task

NORTH TO THE POLE

By Will Steger with Paul Schurke. 339 pages. \$19.95. Times Books, 130 Fifth Avenue, New York, N. Y. 10011.

Reviewed by Dennis Drabell

THERE is no doubt as to who first reached the South Pole: the Norwegian Roald Amundsen in 1911. The North Pole is a different matter.

In addition to this inherent verifiability problem, history has thrown up rival claimants, both American and each with weaknesses in his case.

BOOKS

Matthew Henson, there is lingering uneasiness in court.

It was partly in order to dispel these doubts that two Minnesota wilderness outfitters, Will Steger and Paul Schurke, mounted their spring 1986 polar expedition.

The literature of exploration is uncommonly blessed with stylish writing and probing examinations of humans under stress.

Steger supplies the workaday details of life in a bitterly cold climate that make polar narratives so compelling.

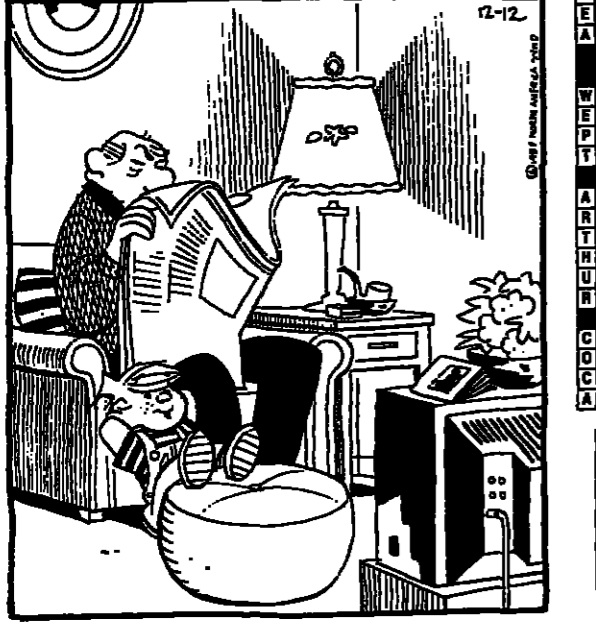
start cracking beneath them. To satisfy their bodies' cravings for fat, they munched on butter sticks like bananas.

The expedition differed from the classics in one humane respect. Rather than kill their spent dogs and feed them to the others, Steger and company had them airlifted out — which also allowed the unforeseen evacuation of two injured team members.

The group nearly unraveled toward the end, when both food supply and daily mileage were running low. The unveiling of Plan B, by which only Steger and Schurke would make a dash for the pole, almost caused mutiny.

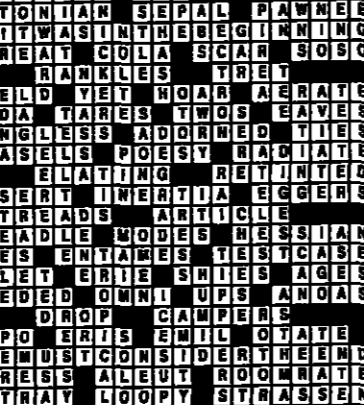
The expedition's heady pace in the final two weeks lends credence to Peary's candidacy.

DENNIS THE MENACE



It's sure lucky you live next door, Mr. Wilson. My mom doesn't like these cartoons.

Solution to Last Week's Puzzle



Moreover, Steger has studied a photograph of an island Cook claimed to have sighted a few hundred miles out at sea.

Not only did Steger and his band reach the North Pole. They also appear to have settled, as certainly as anyone can, the question of who got there first before them.

Dennis Drabell, a Washington writer and editor, wrote this review for The Washington Post.

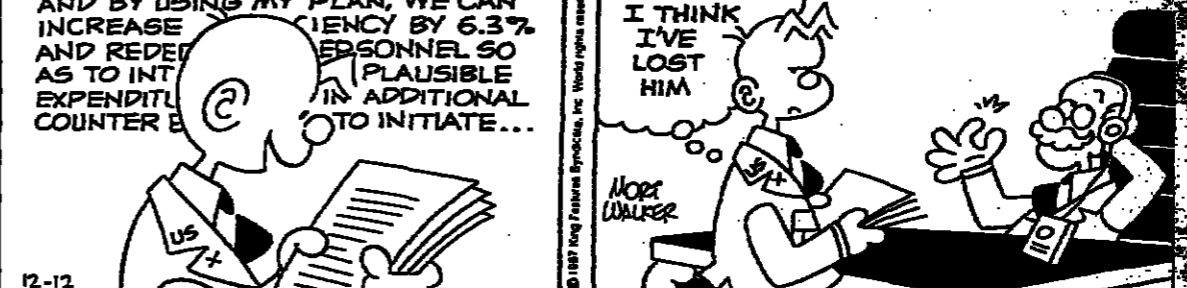
PEANUTS



BLONDE



BEEBLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



WEATHER

Table with weather forecasts for various regions including Europe, Asia, Africa, Latin America, North America, Middle East, Oceania, and Japan.

World Stock Markets

Table showing world stock market prices in local currencies for various cities like Amsterdam, London, Frankfurt, Zurich, and Tokyo.

Table showing stock market prices for various international markets including Sao Paulo, Singapore, Stockholm, Sydney, Zurich, and Tokyo.

Large vertical advertisement on the right side of the page, featuring the word 'Domed' at the top and 'But as Season Playoff Hop' below it, along with other promotional text.

SPORTS

Domed

By Ira Berkow
NEW YORK — Mallmen, or mailpersons, as the case may be, increasingly must be even harder than football players...

no reason that our gridiron gladiators should play in snow or rain or heat or gloom of night. Yet combating the elements has historically

Football Is

been associated with the brutal pleasures of football. Last Sunday evening a football game, seen on national television, was played in the newest and nastiest and noisiest of the covered hippodromes, the Hubert H. Humphrey Metrodome in Minneapolis, known locally as The Hump...

Sinking to

the Level
Now, no one can disparage roller derby, not in this space, anyway — and Ditka probably wasn't, noting only that there were different forms for different sports.

That's what Mike Ditka said. The coach of the Bears was aggrieved during the last week of his monsters had to suffer the gentrification of football.

"Football," he said, "should be played outdoors. Ditka wanted snow, he wanted rain, he wanted heat, he wanted gloom of night. Or any reasonable facsimile. He wanted what letter carriers must contend with. He wanted anything but indoors.

of Roller

Derbys
And when, in film clips the other day, we saw Ditka take a joke and don the roller skates sent him by the Vikings, then skate on the carpet through the Bears' office, we noted that he, too,

memory begins to fade — for several teams, including the Midwest Pioneers and possibly the San Francisco Bay Bombers and the Jersey Jolters, too.

Herbie Gilmore, tall and angular and long-sighted, wasn't one of the front-line skaters, not a Dynamic Mike Gramson, or even a Toughie Brasuhn. In fact, he wasn't even Herbie. He called himself Robert Gilmore in the roller derby. Robert was his middle name, and I presume he thought Robert gave him a certain elegance, or fierceness, that Herbie lacked.

of Roller

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And when, in film clips the other day, we saw Ditka take a joke and don the roller skates sent him by the Vikings, then skate on the carpet through the Bears' office, we noted that he, too,

must have watched roller derby. Maybe even watched cousin Herbie. For Ditka, whizzing along, lifted one knee waist high, in traditional roller style, when they'd sweep around the banked track.

"The man's crazy," Ed Marinaro, a former Viking turned gunshoos on "Hill Street Blues," turned color commentator for an evening, said Sunday on television in regard to Ditka's remarks about the necessity of playing football in the elements. "It's near zero outside and your hands are so cold you can't feel the ball and your nose is running and you're slipping and sliding. It's nasty outside. It's nice inside."

of Roller

Derbys
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But as Season Dwindles, Playoff Hopes Still Rise

By Gerald Eskenazi
NEW YORK — With but three games left in the National Football League's regular season, no one in the American Conference can make plans for New Year's. For no one knows who is going to the playoffs.

NFL PREVIEW

The Chicago Bears-San Francisco 49ers game Monday night is far more than conference bragging rights. The winner could be guaranteed a home-field advantage through the playoffs.

Will the Vikings Sack Moscow?

The Associated Press
MINNEAPOLIS — Summit meeting fever has surfaced in the National Football League. In a letter delivered Thursday to the Soviet Embassy in Washington, Senator David F. Durenberger, Republican of Minnesota, proposed that the Minnesota Vikings play another NFL team in August 1989 in the Soviet Union.



GLASNOST, NOT DETENTE — Nikolai Maslov of the Soviet Selects and Steve Leach compared sticks Thursday night in Richfield, Ohio. Team USA won the first of eight exhibition games, 8-5.

Tokyo Bids for Righetti, Steinbrenner Yells Foul

By Murray Chass
NEW YORK TIMES SERVICE
DALLAS — Free-agent relief pitcher Dave Righetti can defect to Japanese baseball for at least \$8 million over two years, but the huge offer has left him "confused" and has prompted the New York Yankees' owner, George Steinbrenner, to say that it could seriously damage U.S.-Japanese baseball relations.

Righetti is a solid kid and I think his parents will have something to say about it. It's up to the kid. He's going to have to come to a conclusion soon. Steinbrenner said he would not try to match the Tokyo offer but would consider offering Righetti the third year he wants. The Yankees have offered two years for \$1.2 million each and the several other clubs that have made offers have not exceeded two years.

Maybe Minnesotans Are Mostly Very Rich

The Associated Press
SHAKOPEE, Minnesota
This state's horse players left \$320,000 worth of betting tickets uncashed in 1985. Last year, it was \$400,000. Now the 1987 total is in: \$455,000 in uncashed winners, including one Pick Six ticket worth \$58,102.

AMERICAN CONFERENCE

Buffalo Bills (6-6) at Indianapolis Colts (7-5): The last time these clubs met in a meaningful game was 1975. The last time both were 500 or better was in 1983 and each was 1-0. Jack Travenca is 3-14 as the Colts' starting quarterback. The Bills' defense is surging, although it was temporarily set back by Bo Jackson and the Los Angeles Raiders last week. Nevada odds-makers favor the Colts by 3/4 points.

NATIONAL CONFERENCE

Chicago Bears (10-2) at San Francisco 49ers (10-2): Mike Tomczak is 10-0 as the Bears' starter. He gets another chance as Jim McMahon has a hamstring injury. Two of the Bears' defensive starters are back, pass-rushing center Dan Hampton and linebacker Dick Wilson. Last the Bears could have a tough time increasing their league-leading total of 36 sacks. Joe Montana is at a peak and his wide receiver, Jerry Rice, with 15 touchdowns, is three under the NFL's season record. 49ers by 4/2.

TRANSITION

New York Giants (4-8) at St. Louis Cardinals (5-7): The Cardinals are the only team the Giants have dominated this season. Now the Cardinals will be without their in his brief career, is going to be a middle linebacker. Redskins by 9/2.

INTERCONFERENCE

Houston Oilers (7-5) at New Orleans Saints (9-3): The Saints, among their other accomplishments, have in one season gone from last to first in possession time. That will be important against the quick-striking Oilers. But their inside linebackers are hurt, which the Saints' big running game could capitalize on. The Oilers must get the lead: The NFL's youngest team tends to get nervous when it trails. Saints by 7/2.

BASEBALL

Philadelphia Phillies (6-6) at Philadelphia Eagles (5-7): Coach Buddy Ryan of the Eagles contends that Don Shula gets favored treatment from officials. But the Dolphins' coach will need more help from doctors. Kicker Peadar Kirby may not play because of a thigh injury and the absence of center Dwight Stephenson could enable a pass-rushing defense to pressure Dan Marino, although Terry Hoage, the Eagles' important free safety, may be out with an injury. Eagles by 1.

SCOREBOARD

Table with columns for Basketball, U.S. College Results, and NBA Standings.

World Cup Skiing

Table with columns for Women's Downhill, Overall Standings, and Men's Downhill.

Transition

Table with columns for Baseball, Basketball, and Football.

SPORTS BRIEFS

Figini Nips Wolf in Cup Downhill Race
LEUKERBAD, Switzerland (AP) — Michela Figini of Switzerland skied Friday to her first victory in this World Cup season, holding off Sigrid Wolf of Austria to win one of the circuit's most difficult downhill races.

Save 40%

Subscription advertisement for International Herald Tribune, offering a 40% discount for 12 months.

Hockey

Table with columns for National Hockey League Standings, including Eastern and Western Conferences.

Tennis

Table with columns for Masters Doubles, listing players and scores.

For the Record

Diego Maradona of Argentina, who had announced he would sign a contract keeping him in Italian Soccer League leader Napoli until 1993, lost his car but escaped injury in a highway accident while driving with his family to Rome to meet visiting President Raúl Alfonsín of Argentina.

Quotable

Tom Kelly, the Minnesota Twins' manager, asked if the fans' zeal made the Metrodome the best home field in baseball: "What does zeal mean?"

PEOPLE

Bob Hope to Entertain U.S. Troops in the Gulf

Bob Hope will leave soon to entertain American troops in the Gulf during the Christmas season, a holiday tradition he began in 1948 with the Berlin Airlift. Hope will take Dabhan Carroll, Vic Damone, Barbara Eden and other entertainers with him.

Esquire magazine has named Lieutenant Colonel Oliver North the most "Dubious Man of the Year" in its annual "Dubious Achievement Awards" issue. North was cited by Esquire for his remarks during the Iran-contra hearings. They included his defense of the diversion of funds from the Iran arms sales to the contra — "I think it was a neat idea" — and his admission that, "If the commander-in-chief tells this lieutenant colonel to go stand in the corner on his head, I will do it."

Jimmy Carter, the former president, assessing the state of human rights in the world, singled South Africa as a vital Third World solidarity group. La Carria de la Solidaridad was cited for its role in the second annual Carter-Vimercati Prize for its efforts to fight and expose human rights violations in Chile.

The former PTL leader Jim Bakker has told associates he was ordained four weeks ago by a Tulsa, Oklahoma, church, but the church's director refused to confirm the report. It would be a "title presumptuous" to say Bakker has been ordained, said Robert Lemmon, director of the charismatic Faith Christian Fellowship International.

The entertainer Sammy Davis Jr., who underwent reconstructive facial surgery last year, received an artificial lip Thursday during a 2½-hour operation in Los Angeles, a spokesman said.

POSTCARD

Eyesore or Landmark?

By Philip S. Gutis New York Times Service NEW HARTFORD, New York — This is a village of 700 buildings. One of them, depending on the observer, is either an eyesore, a dilapidated commercial artifact of the 1930s, or an architectural gem, a compact well-preserved example of the modern style. The building, a gasoline station that has anchored the center of this village since 1936, is at the center of a fight that pits preservationists against the Sears Oil Company, a family owned business that wants to tear down its station and replace it with a large canopy covering several gasoline pumps. "The details on that building, the craftsmanship and workmanship that went into it — it is a perfect period piece, a living museum," said John Margulies, an author and photographer who has chronicled examples of roadside architecture across the United States. But the oil company has supporters. "For 10 years, we've tried to get the Sears people to do something with this gas station," John Hoffman, a former member of the Village Board, said at a planning board hearing. "Now that the Sears Company has come to us and wants to do something about the building, we should jump on the chance, or we will be stuck with that eyesore for the rest of our lives." The battle occurs as architectural historians are focusing their attention on so-called roadside, or vernacular, architecture, the structures built as the automobile entered American life. Although these buildings are disappearing quickly as land values rise and tastes change, several are being preserved. The National Register of Historic Places lists 19 service stations. When the station was built, Sears designed it in the fashion of the day. A white-and-cream blue porcelain enamel surface was set off with dramatic red neon lighting, little of which remains. Curved windows graced the streamlined facade, with its single-bay "lubritorium."

Margulies learned of the station when he delivered a lecture on roadside architecture in neighboring Utica. He also learned it was scheduled to be demolished. A busy work schedule for the demolition crew has delayed the destruction until at least spring. Even before Margulies's visit, the station had attracted attention, though much of the comment was negative. Others, though, argued the building has intrinsic worth. "It should be saved, not because I say it is beautiful or because I think it is good architecture," the past president of the Landmarks Society of Greater Utica, Barton R. Rasmus, said. "It should be saved because it is an architectural style that is almost extinct." Kevin Kelly, chairman of the Village Planning Board, which must issue an advisory ruling on the proposal for the new station, said, "For the last three years, I've been threatening to landmark that structure." The suggestion to designate a service station met with little interest in the community. "We don't know tourism and we don't know art," Kelly said. "There isn't much agitation to save these kinds of things." That has been the case nationally, as thousands of examples of the early roadside heritage have disappeared. "ALL roadside architecture is difficult to preserve," said David Gebhard, a professor of architecture at the University of California at Santa Barbara. "But I would hope that in some nefarious way we can save at least a few of those poor little creatures." "We need to preserve a few reasonable remnants of the commonplace. Otherwise, within a very short period, all we will have is photographs or renderings of them in paintings." In New Hartford, the question is further entangled because the president of Sears, Howard P. Sears Jr., a son of the founder, is a self-proclaimed gasoline-station buff. The morning after the planning board meeting, he proudly showed off a 1932 stucco-and-red-tile station in Rome, New York, that, he said, he has been unable to part with since closing it in 1973. "Beauty is in the eye of the beholder," said Sears, who is 60 years old. "And that station in New Hartford doesn't do much for me. But this station, this is beautiful."

Crisis in the French Film Industry

By Steven Greenhouse New York Times Service

PARIS — At first glance, it is hard to understand why the French film industry is so worried. This year, Louis Malle's "Au revoir les enfants" won top prize at the Venice Film Festival and Maurice Pialat's "Sans le soleil de Samu" took first place at Cannes. On the other side of the Atlantic, Claude Berri's epic "Jean de Florette" is going strong in New York art houses, and in the ultimate form of flattery, Touchstone Pictures has just remade the French hit comedy "Trois hommes et un couffin" ("Three Men and a Cradle"). What is more, how many countries can boast of a pantheon of directors that includes Eric Rohmer, Louis Malle, Jean-Luc Godard, Bertrand Tavernier and Alain Resnais? Nonetheless, all that French filmmakers seem to be talking about nowadays is "the crisis." A few statistics tell the story. In 1986, 163 million people went to the movies in France. So far this year, attendance is 20 percent lower. As a result, individuals in the film industry are predicting that, within three years, up to 30 percent of France's movie houses will be forced to close. The number of French films in production is down from 160 movies in 1984 to 120 this year. And last year, for the first time, more French moviegoers went to see American films than French films. There seem to be as many reasons for France's film crisis as there are French filmmakers. The number of television stations here has doubled from three to six since 1984. The number of movies aired has doubled, too — viewers know they can wait just a year after a film comes out to see it on television. Canal Plus, France's first cable television network, began operation in 1984, specializing in movies. Some film industry figures say last year's terrorist bombings in Paris persuaded many moviegoers to stay home. Other blame the high cost of tickets — often 35 francs (about \$6.50) or more — and dissatisfaction with the tiny screens in France's many multiplex cinemas. But according to some industry officials, there is one overriding reason why the French cinema has taken ill: its films are not good enough. Sure, every year or two, there is a solid Malle film, a good Rohmer, a fascinating Godard, but what about the hundreds of other French movies? "The films being made are just often not good enough to attract people to movie theaters," said René Bonnell, director of film programming for Canal Plus. "Today's films are not different enough from what's being offered on TV." In France, there is a real audience crisis," added Andreu, film writer for L'Evenement du Jeudi, a French newsmagazine. "But there is also a professional crisis." France's film industry is divided into two halves — commercial filmmakers and "art" filmmakers — and although the two sides



Scene from Louis Malle's prizewinning "Au revoir les enfants."

rarely agree, they concur about the seriousness of the crisis. The commercial moviemakers worry that the decline in attendance means that the dozens of commercial and police thrillers that used to eat out a profit will lose money. Since no one wants to make films that lose money, this means fewer films will be made. The art-film makers, while confident that they will keep their loyal audience, worry that the drop in overall attendance will make it harder for them to find financing. French producers scrounge their financing from distributors, television stations, tax-shelter investors and the government. Movie distributors have traditionally been a major source of funding for French films, but as they hit hard times that source has been rapidly drying up. At the same time, the government is dol-

ing out less money for films. The television channels are filling the void. More than ever before, they are calling the shots on which films get made and which don't. "TV wants proven films, without problems, with stars and very facile story lines," said Andreu. "It's all very worrisome." "What we're seeing is the banalization of French cinema," said Serge Toubiana, editor-in-chief of Cahiers du Cinema, the film journal. Patrick Brion, director of film programming for France's channel 5 television network, says one big problem with French cinema is what is often called *novelisme* — a derivative term can be translated as a fascination with one's belly button. In his view, too many French films are self-centered and fail to look at what is happening in the world. "In the United States, there are excellent films

about the real world, like 'Kramer vs. Kramer' and 'Platoon,'" he said. "Why don't we make films like that?" Perhaps the biggest fear is that the crisis will make it harder for France to produce the young filmmakers who will replace the Truffauts and Godards. Many film buffs fear that France will soon have a problem in passing the baton to a younger generation since Francois Truffaut died in 1984 while Rohmer is 67, Resnais is 65, Godard is 57 and Malle is 55. Some young directors, such as Diane Kurys ("Diabolo Menthe" or "Peppermint Soda") and Jean-Jacques Beineix ("Diva") have each produced one hit film, but they have yet to put together a string of commercial successes. French cinema also lacks stars. The French used to stampede to see a film starring Jean-Paul Belmondo, Alain Delon or Lino Ventura. But nowadays Belmondo and Delon are making Grade B films, and Ventura died in October. Catherine Deneuve, Yves Montand and Isabelle Adjani still have lots of fans, but they are making fewer films than in the past. Only Gerard Depardieu, who stars in "Jean de Florette," seems to be packing in the crowds. "French cinema needs excellent actors, excellent directors, excellent dialogue writers. We don't seem to have them right now," said Brion. "France had a golden period of art with Fiesco, Mery, Matisse and Braque. There are dark periods, too, and that's what we're having now in French cinema." One often hears the refrain that the distributors and television chains, more scared than ever of taking risks, do not want to place a bet on a relative unknown. Young directors complain that when they piece together financing, it is usually not enough to make a film that will feature stars and win the crowd. But Marc Karmatz, the producer for "Au revoir les enfants," is optimistic. "You don't need a lot of money to make a terrific film," he said. "If young French directors have limited money, they'll just have to be more daring and resourceful."

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